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ROYAL COMMISSION

ON

PRICE SPREADS OF FOOD PRODUCTS

HEARINGS

HELD AT

VANCOUVER, B.C.

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ROYAL COMMISSION ON PRICE SPREADS
OF FOOD PRODUCTS

Proceedings before the Royal Commission on Price Spreads of Food Products commencing at 10.00 a.m., Friday, April 11th, 1958, at Vancouver, B.C.

CHAIRMAN:

Dr. Andrew Stewart

COMMISSIONERS:

Mrs. Dorothy Walton
Mr. J. Howard MacKichan
Mr. Romeo Martin
Mr. W. Malcolm Drummond
Mr. Cleve Kidd
Mr. Bernard Couvrette

Secretary

John A. Dawson

Assistant Secretary

A. A. Caron



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---On resuming at 10.00 a.m.

SUBMISSION OF

H. J. BOSE,

a Vegetable Producer in the Municipality of Surrey, Province of British Columbia

THE CHAIRMAN: Is Mr. Bose present? I wonder if you would come forward, Mr. Bose?

MR. BOSE: Yes, Mr. Chairman. I am H. J. Bose ---

THE CHAIRMAN: Would you care to sit down?

MR. BOSE: Yes. I am a vegetable producer in the Municipality of Surrey.

THE CHAIRMAN: Yes. I see in your brief that you have stated your credentials and if you will just start to read your brief. Would you be good enough to tell me firstly where Surrey is?

MR. BOSE: Surrey is on the south side of the toll bridge, just outside New Westminster, between there and the International border.

THE CHAIRMAN: Would you just read your brief?

MR. BOSE: Yes.

To the Chairman and Members: Doubtless, throughout your many sittings across Canada you will have had presented to your Commission various conflicting opinions relative to the reference of your



Commission.

In respect to this particular presentation, I would point out that I am speaking, firstly, as an individual actually engaged on a fairly extensive scale in vegetable production, namely potatoes, as a means of livelihood. Further, I am a full-time agricultural producer and have been so all my life.

Secondly, I speak also on behalf of the members of the B. C. Coast Vegetable Co-operative Association -- this being a voluntary producer cooperative incorporated under the "Co-operative Associations Act" of British Columbia and in actual operation and effect since 1947, and which acts as a designated selling agency for the B. C. Coast Vegetable Marketing Board. It is with the approval of the directors of this Association that I make reference to its operation.

This Cooperative in 1957 had 467 active members -- all of whom were in active vegetable production during that year. This number of members, representing 89.1 per cent of the total growers of vegetables under marketing control within the Lower Fraser Valley, produced 95.3 per cent of the total volume of products grown within the area.

Here in the Fraser Valley, we have what I consider -- as a grower -- an ideal method of co-operative marketing of farm products . . . ably



assisted by enabling marketing legislation. The growing of the product is entirely in the hands of the individual producers, that is to say, any land-owner may grow as many acres of potatoes as he might wish. However, I would point out that quotas may be exercised during certain periods of the marketing year in order that orderly marketing of our products may be maintained and a uniform flow of produce arrive at city centres.

Quotas are based on the size of the farm, with a maximum being set up, and also on the individual grower's past delivery record over three years. Quotas are only applied if and when the supply exceeds the demand for that particular commodity and, to my knowledge, during the past four years have only been applicable for a limited period of three weeks' duration on three separate occasions. At other times, producers could ship as heavily as they so desired.

As a grower, I would be very reluctant to have to go back to the so-called "Free Enterprise" system of merchandising our product under which each individual grower would be competing with and undercutting the price structure of his neighbour in an endeavour to receive a greater share of the market demand. We in this area of British Columbia have continuously received -- since the establishment of our marketing legislation -- a much higher return



for our products than like growers in the other provinces of Canada where marketing boards do not function.

As a grower, I have experienced both methods of selling my produce and from that experience I can confidently state that the lack of orderly marketing as in existence prior to the enactment of marketing legislation, if it had continued would have forced myself and most other vegetable growers -- both large and small -- into bankruptcy.

Under controlled marketing, both large and small growers share equally on the local markets, regardless of size of operation, nationality or politics. Your Commission will no doubt receive presentations from individuals adverse to the principle of marketing boards and marketing regulations. Many of these, you can be assured, will not be genuine vegetable growers in any respect and can present little or no direct knowledge of the potato growing industry or of the marketing problems involved. They, no doubt, will deal primarily in many ambiguous and vague statements without submission of any proof of fact. That I may be established myself in the minds of your Commission as a primary producer -- mainly dependent upon potato crop production, I would submit to your Commission the volume of tonnages of potatoes as produced and delivered to the Sales Agency previously mentioned



by myself and my two sons.

There is a little error here. It is myself, my brother and my son.

For myself, from 1946 up to and including 1956, 2,056 tons.

My brother N. E. Bose on the same dates, 1,874 tons.

My son, who has started farming on his own since 1952, from then up to and including 1956, 774 tons.

By the above accurate statistics you will recognize that I am a person directly interested and vitally affected by different types of marketing my production.

As a grower, I would point out that our marketing plan is in every respect democratic to its fullest extent. Three members of the Marketing Board (they must be growers themselves) are elected by their fellow growers through means of secret ballot, thus giving democratic representation in the setting up of policies and administration of the plan or scheme.

It is further provided that should a group of growers, claiming to be representative of a fair majority of producers, be unsatisfied with the method of control -- a plebiscite could be conducted by the Provincial Government. If the result of such plebiscite would show that the plan is not



favourable to a large majority then the plan may be discarded by the government.

In the year 1953 the then newly elected Provincial Government at that time, with a genuine wish to assure itself of the grower's approval of the marketing plan, ordered that a plebiscite be conducted under government supervision through a government-appointed returning officer. The results of such plebiscite, as conducted on April 16, 1953, showed as below:

For continued control	606
Against continued control	68
Spoiled ballots	69

The above plebiscite showed 86.8 per cent of all growers involved favourable to control, notwithstanding the spoiled ballots, and included 538 Mainland and 251 Vancouver Island growers to whom ballots were mailed under government supervision.

As a grower, I believe that our system of custom grading, custom washing, sizing, and attractive packaging of the product at central packing houses has saved myself considerable sums of money in costs for such services. I now present Exhibit 1 for your information, which shows that the total costs of all services, containers and marketing charges has been reduced from the 1947 costs of \$13.89 to a figure of \$9.27 per ton in the crop year 1956. This considerable reduction in



costs has been accomplished by a cooperative effort despite considerably higher labour costs within the plant operations. Moreover, the charge for services is considerably below that for which I could perform the same services at my own farm level.

I would point out that the figures shown in Exhibit 1 include all costs for services such as grading, washing, delivery, accounting, Marketing Board costs and administration, and is shown in the net form of costs to the grower.

Further, these figures are considerably lower than that as existing in the neighbouring State of Washington or in other provinces of Canada for similar services rendered to producers where marketing boards do not function.



Roughly, the difference is that our local Agency of the Board performs the services and selling at an approximate saving of \$4.00 per ton when compared with other areas.

Also, I submit Exhibit 2 which sets forth the costs of prepackaging of potatoes, carrots and beets, including labour costs, master container costs and individual unit container costs. This is presented for your information as it has a direct bearing on a portion of the spread between producer and consumer. I would point out that the costs shown in Exhibit 2 are only applicable to prepackaging when done on a large scale with automatic machines and, in many cases where lower volume is concerned, the costs would be considerably higher. While I have above dealt with a grower's viewpoint from the grower level, I would now like to point out a few facts in respect to wholesaler, retailer and consumer portions of marketing problems.

Firstly, I would state generally that we, as growers, have been accorded full-hearted cooperation and support in the movement of our crops by local wholesalers, chain store operators and small retailers alike. They prefer our type of operation as they are able to buy a product of a standard grade, properly sized, cleanly and attractively packed at a uniform standard price structure. In respect to our local consumers we have found, as growers,



that our Vancouver housewives in general wholeheartedly support our organization as they realize that controlled marketing provides for the grower a much larger return for his labour in respect to the consumer's dollar.

This program, further, provides for the consumer a product which is uniform and guaranteed -- not only as to grade but also as to quality -- with a policy of free replacement at the consumer's home should the product not meet with the housewife's complete satisfaction.

Grade standards are set forth by the Dominion Government. However, I would point out that quality in respect to cooking quality, is not specified in government regulations. The quality control as carried out through the means of a Test Kitchen Laboratory is entirely a voluntary project for the protection of the consumers and is provided by the grower's Selling Agency.

In closing, I again wish to express my personal opinion and that of my fellow cooperative producers, who represent 95.3 per cent of the total produce grown within this area and controlled by our marketing plant, completely subscribe to and support our own grower-operated system of controlled marketing for the benefit of all growers, tradesmen and consumers alike.



Respectfully submitted on behalf of the members of the B. C. Coast Vegetable Co-operative Association.

THE CHAIRMAN: Thank you, Mr. Bose. Your submission will be marked Exhibit No. 8.

---EXHIBIT NO. 8: Submission of B. C. Coast Vegetable Co-operative Association.

THE CHAIRMAN: Mr. Bose, am I correct that there are two vegetable marketing boards in the province?

MR. BOSE: That is correct.

THE CHAIRMAN: One the Vancouver Island?

MR. BOSE: No, one is the Interior Vegetable Marketing Board and the other is the Lower Fraser Valley. They are under one board.

THE CHAIRMAN: So that your Association covers both Fraser Valley producers and also Vancouver Island producers?

MR. BOSE: Yes. It covers up to Hope to the Gulf and Vancouver Island.

MR. WYNDLOW: It doesn't cover Vancouver Island.

THE CHAIRMAN: Mr. Wyndlow, you will have an opportunity to speak later. Again, there is an Interior Vegetable Board, is there?

MR. BOSE: Yes.

THE CHAIRMAN: Are these completely separate



organizations?

MR. BOSE: Well, they are both operated under the National Produce Marketing Act, I think is correct. They are all under the provincial government.

THE CHAIRMAN: We refer to the B. C. Coast Vegetable Co-operative Association as a designated selling agency for the Marketing Board. Are there other designated, similar agencies, in the B. C. Coast Vegetable Board?

MR. BOSE: No, that is the main B. C. Coast Vegetable Board, that is their agency.

THE CHAIRMAN: It is the designated agency, not a designated agency?

MR. BOSE: That is right.

THE CHAIRMAN: In the interior is there likewise a designated agency for the Interior Board?

MR. BOSE: Yes. I am not sure just who is the agent right now, but I am quite sure that information can be filed with you.

THE CHAIRMAN: But there is a selling agency for each of the Board's?

MR. BOSE: That is correct.

THE CHAIRMAN: Now, in your case, sir, your organization operates as selling agency for the producers in the area designated to the B. C. Coast Vegetable Board?

MR. BOSE: I just didn't get that.



THE CHAIRMAN: Your organization is the selling agency for all producers of potatoes in the area designated for the B. C. Coast Vegetable Marketing Board?

MR. BOSE: No, there is an agency on Vancouver Island, looks after Vancouver. It is just the lower mainland that our agency looks after, I believe. I may be wrong there, but that information can be filed with you.

THE CHAIRMAN: What I am really trying to get at is how many selling agencies there are responsible for the selling of potatoes in British Columbia. Do I gather that there are two, one from Vancouver Island and one from the mainland within the area under the jurisdiction of the B. C. Coast Vegetable Marketing Board?

MR. BOSE: Yes, that is correct.

THE CHAIRMAN: And then there is a selling agency for the Interior Board?

MR. BOSE: Yes, and there is also a separate board under the same Act in the interior.

THE CHAIRMAN: Well, now, I notice in the information which you have provided to us that your Co-operative distributes, or has distributed each year a patronage dividend.

MR. BOSE: Yes.

THE CHAIRMAN: Let me take the case of your selling agency and its operations. How is the price



at which potatoes are sold by your agency determined?

MR. BOSE: Well, the price is competitive price with potatoes that are shipped in from other provinces and the United States. It is a competitive price.

THE CHAIRMAN: There is a market price established as a result of these moving into the province from outside?

MR. BOSE: That is correct, yes.

THE CHAIRMAN: Is there any competition in the market between the Vancouver Island selling agency, your selling agency and the Interior selling agency? Do you compete in the market?

MR. BOSE: Well, they have a working agreement with themselves on prices, because in some cases the prices used to vary a little bit from the interior grown potatoes and coast grown potatoes, but it is now, I think, I am quite sure it is very close together. They work in coordination with one another, settling their prices. They are not necessarily all the same.

THE CHAIRMAN: Where do price quotations on potatoes appear? Are there quoted prices from day to day on potatoes at the wholesale level?

MR. BOSE: Well, the marketing board adjusts the price according to markets and then every month the price is pooled to the producer, so they get a pooled price at the end of every month. Every



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month is on a pool of its own more or less. They may have shorter or longer pools according to necessity, but as a rule the pools have been carried out in that manner.



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anc.

THE CHAIRMAN: I would be grateful to you if you would help me just to visualize the proceedings here. The distribution of the patronage dividend implies that you are selling under the market price, actually.

MR. BOSE: Well, the distribution of our patronage refund is that there is a certain amount of the grower's money is held back and given to him in patronage refund and then when it is returned he gets it.

THE CHAIRMAN: We hear, as you say, that some of the producers' money is held back for a time. This means that the initial payment made to the producer is less than the current price probably.

MR. BOSE: Well, I think probably you would state it in this manner, that that money you receive in patronage refund is moneys that have been held back for processing and handling out the product, and these are really savings you have made in your own organization and doing your own handling, and that money is returned in the form of a patronage refund. It is not really a hold-back on your money, it is just the savings.

THE CHAIRMAN: How is the initial payment to the producer determined?

MR. BOSE: Well, I think maybe I should have that information filed with you. I am not close



enough to the office myself to give you that; I am just a farmer and I don't think I am quite capable of just telling you that.

THE CHAIRMAN: If you ship the potatoes in today when would you get your first payment on them?

MR. BOSE: The 15th of the following month.

THE CHAIRMAN: And you can't tell me how the money you get at that time is related to the sales value of the potatoes during that period?

MR. BOSE: Well, the pool is generally closed off at the end of each month. It doesn't necessarily change, but you would be paid on a pool price for that month.

THE CHAIRMAN: In the area under the jurisdiction of the B. C. Coast Vegetable Marketing Board you have given us the number of producers on the mainland and on Vancouver Island. Now, is it possible at any time for anybody else to produce and sell potatoes through your organization?

MR. BOSE: Yes. All they have to do is to take out a share in the organization, that is in the agency, and they can start producing potatoes, and, of course, they have to work up their quota. In many cases there is not much trouble in doing that.

THE CHAIRMAN: But your brief here says that the quotas are not effective.



MR. BOSE: That is so. If they happen to be effective, if there was a surplus of potatoes and the quota was brought into effect, then they would have to start out with the minimum quota, but if that is not the case they could pretty well sell all their potatoes that were of a proper grade.

THE CHAIRMAN: In the experience of this marketing arrangement you would be prepared to say that there has been no limitation on the opportunity of people to get into the production and sale of potatoes?

MR. BOSE: No, I wouldn't, provided they could produce a potato of quality that could be consumed in that market.

THE CHAIRMAN: How is that?

MR. BOSE: In some cases they might be producing stuff that isn't too marketable. It has to be up to grade, that is all. If they have got an up-to-grade commodity, why, I am quite sure they have no trouble selling it.

COMMISSIONER WALTON: May I ask one question? On your first page you say that the number of members, representing 89.1 per cent of the total growers of vegetables under marketing control within the Lower Fraser Valley, produced 95.3 per cent of the total volume. Just for clarification following Dr. Stewart's question, is there an outlet or an opportunity here over 6 per cent or 5 per cent?



What happens to those who are not members of the Co-operative? Is there an opportunity -- do they sell freely on the market? Is there independence?

MR. BOSE: They have to sell under the Act.

COMMISSIONER WALTON: What would their selling agency be if they are not members of your Co-operative?

MR. BOSE: Out in certain areas they are allowed to get country sales tag. There is a tag which permits them to sell a certain amount of potatoes. In that case they have to pay for their tags, which is the levy to the Board for operating the agency and the Board.

COMMISSIONER DRUMMOND: I was particularly interested in the section of your brief which indicates the savings in costs in respect to the marketing functions, pages 4 and 5, where you refer to Exhibits 1 and 2. Does this suggest that one of the main objects in forming and operating your Marketing Board was to make savings in performing these functions as well as to get any increase in the selling price?

MR. BOSE: I wouldn't say that was the main thing that the Marketing Board was organized for. The main purpose of the Marketing Board is to stabilize your markets in order to avoid price cutting. In some cases before the Marketing Board was operating we were selling potatoes on this market



and I sold some at \$12 a ton and others were sold at \$8 a ton, and it was absolutely impossible to stay in business. After the Board was operating we found it was better.

Well, the people in this Valley, on account of the Marketing Board -- it got a lot of farmers out of difficulty.

COMMISSIONER DRUMMOND: In spite of that price improvement, though, your brief does say you have made savings; you have reduced your cost of actual marketing, haven't you?

MR. BOSE: Yes.

COMMISSIONER DRUMMOND: I wonder if you could perhaps explain a little more fully how your system of custom grading, sizing, actually operates?

MR. BOSE: Do you mean, Mr. Drummond, how it operates at the plant?

COMMISSIONER DRUMMOND: Yes.

MR. BOSE: Well, the potatoes are loaded up sometimes in bulk and sometimes they are just sacked at the farmer's root house and they are hauled in in open sacks and they are put on a conveyor and into a bin, and from there they go through the washers and from the washers to the sizers, and from the sizers to the graders where there is a staff which hand-picks these and puts them into the different grades. It is quite an operation, and then they are sacked and packaged according to their grades and



qualities. They are also dry-matter tested so that people know when they get a high class potato that they are getting a high class potato.

COMMISSIONER DRUMMOND: Now, this method of doing these things could not be done efficiently, could it, unless you had a good deal of volume?

MR. BOSE: Volume is very important in such an operation -- very, very important, because when farmers were doing some of their own packaging a few years ago they were not getting quite the volume to handle and their costs were high. Now they are doing all their packaging and their costs were reduced through having control of the whole thing.

COMMISSIONER DRUMMOND: That is really one of your main points, you are able to get this volume and therefore get your cost per unit down?

MR. BOSE: That is correct.

COMMISSIONER WALTON: In clarification, Mr. Bose, on your second table there where you give your packaging costs, five-pound, ten-pound, fifteen-pound containers, it would look as though packaging costs account for a substantial portion in the smaller packages in the producer price paid to him and what the consumer pays. That would seem to be one of the implications?

MR. BOSE: Yes, it definitely does add to the spread when you get into small packages. It



seems to me the way the consumer wants things today and the way our modern system of merchandising is asking for it, and certainly in many cases the price of the package runs up the commodity.

COMMISSIONER KIDD: Mr. Bose, in your Exhibit No. 1 you set down very clearly here the various costs. How do you account for the difference in washing? In 1947 it was \$5, in 1952 it was \$5, in 1948 it was \$2, and recently it has been \$3. What accounts for that very large change say between 1947 and 1948?



MR. BOSE: Well, I would have to -- I could file the information with you but I am quite unable to do it right at this time, to tell you what that difference would be. There has been a lot of pre-packaging which might have an effect on those costs; where they take this stuff that is pre-packaged and that is generally run over twice but I would not want to say. I could file the information with you.

COMMISSIONER KIDD: I would like to know that because the change there is very remarkable and it is a cost item.

On this table you have everything set down except the final price to the consumer. I do not see that anywhere in your submission. I just wonder if that information is available to us. We could then take a look at all costs as compared to the final price.

MR. BOSE: You mean the final price --- ?

COMMISSIONER KIDD: Per ton.

MR. BOSE: Per ton to the consumer. Well, of course that varies according to your markets.

COMMISSIONER KIDD: Well, I can imagine it would. I just wondered in all the costs which are set out from 1947 right through to 1956 I do not see this final price. I suppose we can get that elsewhere. I just wondered if you had it for the sake of comparison.

MR. BOSE: No, I am afraid I have not got



that. Of course, these are operating costs chiefly.

THE CHAIRMAN: You have not got a record of the net return per ton which you have received, Mr. Bose?

MR. BOSE: No, I have not. I am quite sure we can file that information.

THE CHAIRMAN: Could you let us have that?

MR. BOSE: Yes.

COMMISSIONER DRUMMOND: The only other question I have is an entirely different sort, Mr. Bose. Perhaps you cannot explain this one either. I notice in your mentioning of the plebiscite that was taken in 1953 -- is that the right date?

MR. BOSE: Yes, I think so.

COMMISSIONER DRUMMOND: You mention there were 69 spoiled ballots. It seems like a large number, a large percentage of the total. I just wondered how that happened.

MR. BOSE: Well, I think these were mailed ballots and all of these ballots require a signature on them. I believe that was the reason. Some people forgot to put their name on them. I did myself once.

COMMISSIONER WALTON: I was interested in the testing kitchen which the agency maintains for cooking. This Commission heard an observation made in a presentation yesterday that dietitians had indicated that the washing of the potato, particularly in this mild climate, did not improve its keeping qualities. And they have recommended the brush method. I was



wondering if in your testing you also, to your knowledge, do anything about the keeping qualities of dry as against washing.

MR. BOSE: Well, for shipments up the coast or where you will ship a good distance away to where there will be storage; sometimes they use the dry package but dry package potatoes just don't sell in this market. They like them washed. It is debatable whether it does anything to the keeping qualities or not. I have my doubts. I think the dirt taken off the potato certainly in many cases, they claim it improves the keeping quality but I would not want to suggest it. It depends a lot, I think, on the water and how clean the water is. If the water with which you are washing your potatoes probably gets a little dirty maybe the keeping quality would not be so well. The bacteria would be higher in the water.

THE CHAIRMAN: Mr. Bose, you have given us the tonnage which you shipped from 1946 to 1956. If my arithmetic is right, this means about 200 tons a year on the average. Is that the scale of your operation?

MR. BOSE: I have not worked it out. I imagine about that.

THE CHAIRMAN: About that?

MR. BOSE: Yes.

THE CHAIRMAN: What would your average yield per acre be? How many acres would that be?

MR. BOSE: Well, my brother and myself are



actually together so those figures should be lumped. If I make statements, I should probably have them in two lumps.

THE CHAIRMAN: What would the average yields per acre be?

MR. BOSE: Well, I would imagine that a good crop of potatoes is around 20 tons to the acre and then you will figure your marketable potatoes will be about 12 tons, in that neighbourhood, per acre -- probably No. 1's -- mostly No. 1's.

THE CHAIRMAN: When you say "marketable" does that mean that you hold back any potatoes on the farm because they are not marketable?

MR. BOSE: We hold them back for cattle feed or pig feed, a certain amount that are not marketable, and then we also hold back small potatoes for seed that we sell on the other market. That is not controlled -- an uncontrolled market, the seed market.

THE CHAIRMAN: Is there any requirement by the selling agency for some pre-sorting of potatoes on the farm or do you just ---

MR. BOSE: Just come again, please?

THE CHAIRMAN: I am following up this word that you used, "marketable". I wanted to know if there was any requirement on the part of the selling agency that there will be some sorting of potatoes on the farm before shipment or do you just take them all up and send them exactly as you pick them?



MR. BOSE: They can be shipped exactly as you pick them but we use equipment at home, and most farmers take a lot of them out because it makes the operation in the agency better if part of them are taken out. You are paying freight into the market here and back, so we do take quite a bit out. We use equipment for taking quite a lot of them out.

THE CHAIRMAN: I suppose the yield of potatoes is probably variable from year to year. Again, if I may try my arithmetic on this --- ?

MR. BOSE: Yes.

THE CHAIRMAN: Your production is about 200 tons a year. You have suggested you may get 20 tons gross?

MR. BOSE: Yes.

THE CHAIRMAN: That is about 10 tons per acre?

MR. BOSE: Yes.

THE CHAIRMAN: Does that vary much from year to year?

MR. BOSE: You mean 20 tons an acre?

THE CHAIRMAN: Yes.

MR. BOSE: Yes, it does. It depends on weather conditions. I have seen a 30-ton crop and in another year you may get a 12-ton crop -- you might get a blight condition. You could lose a terrific amount of tonnage, but I would think that a good average crop is 20 tons. That is a good average crop. That is not an average crop. That is a good average crop.



THE CHAIRMAN: In the district or in the area under the B. C. Coast Vegetable Marketing Board would there be much variation in yields per acre given the same kind of efficiency of production related to the natural conditions. Is there much variation?

MR. BOSE: There would be quite a variation, yes. In some of your soils it is impossible to produce potatoes. On some of your higher soils it is impossible to produce the tonnage you get on some of your silt, river bottom soil. That definitely produces much larger crops.

THE CHAIRMAN: Are there certain varieties which you produce consistently yourself?

MR. BOSE: Yes, we produce ourselves pretty well all netted gem potatoes which is a main crop potato; but there are a lot of farmers naturally producing secondaries or White Rose varieties and then the farmers in the early areas produce the real early potatoes.

THE CHAIRMAN: The decision as to which variety potato is grown by the individual producer is entirely up to him, is it?

MR. BOSE: Absolutely.

THE CHAIRMAN: There is no direction from the Board?

MR. BOSE: No.

THE CHAIRMAN: Are there any areas, within the total areas, physically more suitable for certain types than others?



MR. BOSE: Oh, yes, definitely. The Boundary Bay area and down on the delta is very suitable for early growing potatoes. Most of the areas handle secondary grown potatoes but the river bottom lands definitely are better for your netted Gem variety, which is the big seller, and they grow mostly on river bottom land.

THE CHAIRMAN: Is it a separate pool for the netted Gems?

MR. BOSE: The price is higher for Netted Gems and white skin potatoes. They demand a premium.

THE CHAIRMAN: Is there a separate pool?

MR. BOSE: Yes, there will be a separate pool.

THE CHAIRMAN: A separate pool for each variety?

MR. BOSE: Yes, pretty well. If you would like that information exactly we had better file that information with you. I am quite sure there is a separate pool.

THE CHAIRMAN: You see what I am getting at. If there is a good deal of variety within this total area---

MR. BOSE: Yes.

THE CHAIRMAN: In terms of physical conditions and areas of farms ---

MR. BOSE: Yes.

THE CHAIRMAN: I suppose there are some good potato growers and some poorer potato growers ---



MR. BOSE: Yes.

THE CHAIRMAN: We have all this great variety and then some sort of average processing which goes on. This is one of the criticisms we hear that in a situation of great diversity you may run into problems in connection with the pooling and averaging process. This is the picture I am trying to get from you.

MR. BOSE: Well, the white variety potato always sells for somewhat less than your Netted Gem potato.

It also is, in many cases, a heavier yield potato but the quality, as a rule, has not the good quality of the Netted Gem potato, which has a premium.

Of course, you get the same thing with your real early potatoes. They naturally fetch a high price but there are not too many places they can be grown and they sell very well. As soon as they are off the market, when the other varieties come along, why in many cases they have to be sold at reduced prices.

THE CHAIRMAN: Do you know yourself of any shifts in the production of different varieties within the last four or five years, say? Have some become more attractive and others less attractive?

MR. BOSE: Well, that does happen to a certain extent. The public seems to want the long white potato like we get in the United States instead of the little round potato. They go for the long



potatoes and the public seems to like them, regardless of anything else.

THE CHAIRMAN: As far as you know none of this shifting can be attributed to the operations of the Board?

MR. BOSE: No. They know the potato that sells. After all, they are doing the selling. They know what the market is calling for.

They might suggest to the farmers through the information they get out to the farmers that they would be better off to grow a long white potato than the round potatoes that they have more trouble selling.

THE CHAIRMAN: There is just one more point I want to get from you and it is this question of whether these services can be performed more cheaply by the agencies than by yourself. You have indicated that you think that is so. In your own case or in the case of a representative farmer, would he do these things himself or would he hire them done, or what?

MR. BOSE: Well, in some cases the larger operators would do it themselves. However, we have never had any facilities in the Fraser Valley for custom grading or packing of potatoes.

In the Valley the farmers have been doing it themselves but without any washing facilities.

If a person put in all the equipment for doing the job that is being done at our agency, the cost would be pretty terrific and you would have to have a lot



of volume to do as good a job as the agency is doing.

THE CHAIRMAN: In some cases, what you are saying is that, it would be simply uneconomic for the producer to try to do certain things himself?

MR. BOSE: That is right.

THE CHAIRMAN: But in other cases he could perform the services himself?

MR. BOSE: Yes, he could. He could put on graders. You could do a pretty good job of marketing the potatoes but when it comes to washing and packaging and that -- there are not too many potatoes going out now sold to the consumers in 100-pound sacks. It is generally in a little plastic bag. They walk away from the store with their groceries. That is what we have to cater to today.

THE CHAIRMAN: I don't know very much about these things, but let us take the case of grading on the farm. Now you have to have a grading machine?

MR. BOSE: Well, it can be done without machinery pretty well with a home-made table. Any farm of any size would not even think of it any more. We all have power graders pretty well now, and these power graders run into a considerable investment, even the ones we use.

THE CHAIRMAN: What would they cost for your scale of operation?

MR. BOSE: About \$1200 just for a grader.

THE CHAIRMAN: How would you depreciate that?



MR. BOSE: Well, we depreciate all that type of equipment at 10 per cent a year.

THE CHAIRMAN: And the rest of the grading operation is straight labour?

MR. BOSE: Yes, and we do have three or four women on the side of this machine, and then we have men putting potatoes onto it, and other men picking them off, but we run all ours over our grader because we have to take off small ones for seeding. We are in the seed business too, and take off a lot of small ones for seed.

THE CHAIRMAN: What sort of wages do you pay the women?

MR. BOSE: The women as a rule get 85 cents, 90 cents an hour on the farm. Of course they get more than that when they have to come in. I don't know what the wages are in the plant.

THE CHAIRMAN: In Exhibit 1, I am taking the net cost per ton, this cost is increased by grading. This is something that perhaps you can do on the farm. Is the washing something that you can do on the farm?

MR. BOSE: It could be done, but then of course the water problem is quite a problem. If you start washing food you have got to have a little supervision of your washing, because you could have water that is not fit to wash food in on the farm and who has got any control of it? When it comes into town it is all under supervision, so the water is proper and not contaminated, and your water out of ditches and everything



else could be used on farms for washing potatoes, but I wouldn't want to eat the potatoes if I thought the water was coming from such sources, and it could easily be done.

THE CHAIRMAN: Your other costs here are the handling costs, administration costs, and the agency. I am looking at Exhibit 1, the second last column on the right hand side. The figure for 1956 is \$6.47. This is net cost per ton, grading, washing and agency?

MR. BOSE: Yes. Well, that is all your personnel, your labour, and even your dietitian in the kitchen and your men you have out -- your public relations men out on the road or out in the city to follow the product up. It is a selling job.

THE CHAIRMAN: Incidentally, in this exhibit you show also grading charge. These are specific charges against the individual shipment? If you ship 10 tons of potatoes in you will be charged as at 1956, \$2.50 for grading?

MR. BOSE: Yes.

THE CHAIRMAN: And \$3 for washing?

MR. BOSE: Yes. Actually it is a combination charge, the washing and the grading. It is a combination charge.

THE CHAIRMAN: But there are certain additional costs in operating the agency, other than these services which are included in this net cost per ton?

MR. BOSE: Yes.



THE CHAIRMAN: I am looking at it this way: you are shipping about 200 tons a year and the net cost in this column here is \$6.47. That is about \$1300?

MR. BOSE: Yes.

THE CHAIRMAN: Now you say you couldn't do these things on the farm for \$1300?

MR. BOSE: Yes. Part of that \$1300 is the moneys that come back to us on patronage refund. It comes back and is redeemed after a period of years, five years, or whatever the patronage is.

COMMISSIONER MARTIN: But you have deducted your patronage dividend?

MR. BOSE: I beg your pardon?

COMMISSIONER MARTIN: The patronage dividend has been deducted according to the calculations made by Dr. Stewart on the 200 tons?

MR. BOSE: Yes, it has been deducted. This \$6.47 has been deducted off the price. That is correct, yes.

COMMISSIONER MARTIN: And the charge for grading, washing, and for the agency, these are estimated charges at the beginning of the year, and at the end you have your real cost and you establish your patronage dividend and deduct that from the charge already made to the producer. Am I right in that? You charge at the beginning, that is whether 2.50 or 5 and 2.50, but at the end of the year you pay a patronage dividend?

MR. BOSE: That is right.



COMMISSIONER MARTIN: It is in deduction of these charges?

MR. BOSE: That is right.

COMMISSIONER MARTIN: Which have been estimated?

MR. BOSE: That is right. That is what it amounts to. It is the money we have saved by doing our own business, running our own business in the agency. We save that money and that comes back in our patronage refund.

THE CHAIRMAN: I am not quite sure whether the line I am pursuing is really too helpful, but you say here that the agency has saved you a considerable sum of money by performing these services for you. Now just looking at these figures, it may be quite incorrect but I am suggesting that this looks as if the cost of these services to you through the agency is about \$1300?

MR. BOSE: Yes.

THE CHAIRMAN: Now you say you couldn't do these things on your farm for \$1300 a year?

MR. BOSE: I would hate to try it for \$1300 a year.

COMMISSIONER DRUMMOND: Just one point relative to what Dr. Stewart was asking you a few minutes ago. You mentioned that a good many of your potatoes are separated at the farm?

MR. BOSE: Yes.

COMMISSIONER DRUMMOND: Before being shipped



to the plant. Am I right in saying that after they get to the plant further grading takes place?

MR. BOSE: Oh, yes, we rough grade -- called rough grade. It doesn't pay us to put too much help on and some of these things come through automatically, more or less when they run them over our machinery, so we use very little labour on our machine at home, and there is some coming back, but it doesn't amount to too much waste.

COMMISSIONER DRUMMOND: After this grading at the plant is completed, some of the potatoes will not be saleable; is that right?

MR. BOSE: That is right.

COMMISSIONER DRUMMOND: What happens to them?

MR. BOSE: We can either sell them at the plant or we can bring them back home and use them for pig feed.

COMMISSIONER DRUMMOND: There is no starch outlet?

MR. BOSE: No, they have no starch outlet.

COMMISSIONER DRUMMOND: Thank you.

THE CHAIRMAN: Thank you very much, Mr. Bose, for this submission. We appreciate having it.

---Short recess.

THE CHAIRMAN: Come to order please. The next brief will be presented by Mr. George Wyndlow, and this will be Exhibit 9.

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SUBMISSION OF

GEORGE WYNDLOW

---EXHIBIT NO. 9: Submission of George Wyndlow.
Ladysmith, B. C.

THE CHAIRMAN: You are a potato producer
on Vancouver Island?

MR. WYNDLOW: Yes.

THE CHAIRMAN: Your brief has reference
primarily to potato marketing?

MR. WYNDLOW: Yes.

THE CHAIRMAN: Are you a member of the Island
Vegetable Cooperative Association?

MR. WYNDLOW: No, I am not. I am a
registered grower but not a member of the Cooperative.

THE CHAIRMAN: We will be glad to hear your
brief. Read it, please.

MR. WYNDLOW: This brief deals with the
operations of the B. C. Coast Vegetable Marketing Board
and its Vancouver Island agency, and their effect upon
the price spreads between producers and consumers of
potatoes on Vancouver Island.

It does not attempt to consider the spread
due to wholesale or retail mark-ups, as that will be
doubtless covered in other submissions.

All locally produced potatoes are marketed,
or supposed to be marketed, through the Island Vegetable
Cooperative Association, the sole agency of the



Marketing Board on Vancouver Island, but this organization has no control over potatoes brought onto the Island from outside. The existing market of about 12,000 tons per year (estimated) on Vancouver Island is supplied to the extent of only about 40 per cent by locally produced potatoes, the remainder coming from the interior of British Columbia, and from Alberta, Idaho, Washington and Oregon.

It can be readily understood therefore, that the Marketing Board and the Island Agency have virtually no control over the retail price level, and the operations of the agency have little direct effect upon consumers. The indirect effects, however, can be, and probably are considerable. For if the tight controls and damaging restrictions upon marketing the local produce tend to discourage growers from producing, and thereby restrict the free play of competition between local product and that coming in from outside, then certainly the consumer will find her freedom of choice adversely affected, and she will be forced to pay higher prices.

I believe that situation is very much in evidence now.

The Island Vegetable Co-operative is requiring the local growers to pay such excessive charges for marketing the product that their costs have been raised to the point where they can no longer compete with the imported product, in spite of tariff and freight



advantages; and they are being forced out of business.

Dealing with the latest published figures available -- the report of the Island Co-operative for the 1956-57 season, we find that the cost of marketing 4800 tons of potatoes was \$62,000 or roughly \$12 per ton. It is observed that this tremendous deduction is taken, not from the wholesale price, but from the jobber's price level, which probably averages not less than \$8 per ton below wholesale. Thus, during the season under review, when the wholesale price scarcely exceeded \$60 per ton, and averaged less, the price to the producer for the greater part of the season was well below \$40 per ton, a price that is not profitable to the average producer. At the end of the season, the writer received prices below \$30 per ton -- a disastrous level; while the wholesale price remained at \$55, which represents a profitable price.

The almost unlimited statutory powers of the Marketing Board, extending to the imposition of heavy goal terms for minor infractions of regulations, are habitually used to ensure that the wholesale price shall not be available to growers, and that their entire crop shall be marketed at the very low prices offered by the Board.

Quite obviously, therefore, the Marketing Board is not functioning in a manner beneficial to the growers. The question immediately arises as to whether the whole conception of the Marketing Board theory



of marketing is faulty, or whether the Board and its agency are being managed in an extravagant or impractical manner.

In view of the fact that Vancouver Island producers are supplying only 40 per cent of the market on the Island it would be difficult to provide any convincing evidence that any of the \$62,000 expenditure by the Island Co-operative Association was in any way essential to marketing the local crop if the producers were prepared to do their own marketing; and it may therefore be argued that the entire cost of operating the agency is a total loss to the growers. But it must be recognized that a considerable percentage of growers do not want to market, or are incapable of marketing their own production, and the existence of the Board therefore commends itself to many.

I submit, however, that the latter class of growers, even though possibly in a majority, have no legal or moral right to enforce their wishes upon the numerous independently minded growers, by imposing upon them a Government Agency with unlimited statutory powers, and with no effective controls in the event of incompetent or dishonest administration. The concern of the Board with the maintenance of its disciplinary powers, which includes the operation of its private police (with the right to enter private homes at will without warrant), and the institution of innumerable prosecutions, involves heavy overhead costs and results



in sharply reduced returns to the growers, without any discernible benefit to anyone. And at the same time, again referring to the 1956-57 season, the Island agency showed a net profit from its operations of 84.5 per cent on its capitalization, during a year when all its shippers were losing substantial sums of money. It is to be noted that the establishment of this profit involved the payment of between \$400 and \$500 in Federal income tax, which would be charged pro rata to the growers, although undoubtedly the great majority of growers were not subject to income tax liability.

The disposition of this profit by the Island Co-operative Association has been brought to the attention of the Attorney General's Department of British Columbia, and that Department has ruled that the handling of this money is illegal, in that deductions have been made from the funds of all shippers, while dividends have been paid only to members of the Co-operative. But nothing has been done to date by the Government or the Marketing Board to correct this situation.

Under all these circumstances, growers on Vancouver Island are going out of the business of growing potatoes, and the Chairman of the Marketing Board has publicly recognized that fact. Last year out of the 4800 tons produced on the Island, no less than 2800 tons were produced by four growers, two at



least of whom were directly or indirectly connected with the Marketing Board. A production of 2000 tons for all the medium and small growers on Vancouver Island is an almost incredibly small figure, and is, per se, indisputable evidence of an unhealthy state in this particular branch of agriculture.

Under conditions in which a grower finds himself serving a sentence of 14 days in Oakalla prison for offering his potatoes in competition with American imports at a price almost double what the Board will pay, and in an outlet where the Board could not market its product anyway, it is understandable that potato production is being abandoned by farmers. And is it any wonder that the spread between producer and consumer prices has grown to such monumental proportions?

THE CHAIRMAN: Mr. Wyndlow, you have attached to your brief two documents, one a statement of income and expense of the Island Vegetable Co-operative Association, and also a balance sheet as of March 31st, 1957, for the Island Vegetable Co-operative Association. Are there any comments you wish to make on these two documents?

MR. WYNDLOW: There is one comment I should like to make, Mr. Chairman, and that is since that brief was compiled a meeting was held under the auspices of the Marketing Board in Nanaimo and I attended that meeting and it presented the first opportunity



I had had to question the Board on these matters, because the Board held no annual meeting at all last year, only the Island Vegetable Co-operative held an annual meeting, and growers who were not members of the Island Vegetable Co-operative Association were given almost no opportunity to discuss the affairs of the growers or asking any questions.

So at this last meeting at Nanaimo I asked what disposition had been made of the \$2,537.69 which is entered as patronage dividends. I was just informed that that money was not paid out, it was held in reserve, but what happened to it nobody knows.

So I must qualify my brief to that extent, that apparently that money has not been paid out in cash, but some disposition unknown has been made of it.

COMMISSIONER MacKICHAN: These patronage dividends I expect would turn up on the next balance sheet?

MR. WYNDLOW: Mr. Commissioner, I am not in a position to assume what the Board or the Co-operative would or would not do. I can only concern myself with history and facts.

COMMISSIONER MacKICHAN: It will show up on the next balance sheet.

MR. WYNDLOW: May I add this, that I think this so-called patronage dividend is involved with what is known as a revolving fund in which surplus moneys are retained from year to year and are supposed to be



paid out, I think, seven years later. But I maintain that any such dividends paid on that basis are illegal because deductions are being made from my current production in order to pay some totally different individual who has an equity in something seven years ago. Furthermore, when this Island Agency was set up my understanding is that certain assets were transferred from the Board on the mainland where our affairs had been previously handled over to the Island, and against that figure on the asset side of the balance sheet the revolving loan liability had also been turned over, so that the present funds amounting to about \$21,000 are represented on the asset side of the balance sheet by, presumably, fixed assets, and I contend that only depreciation charged against those fixed assets can properly be paid out on that revolving fund, instead of which large appropriations are being made to current shippers. No opportunity has really been given to us to go into these things in detail, so it is impossible to give an absolutely positive picture as to what has happened and what is happening.

Tremendous charges are being made against our current shipment of potatoes.

COMMISSIONER WALTON: Would it be any easier to find out these things if you were a member?

MR. SYNDLOW: I don't think so. At any rate, none of the members have asked any questions.



Furthermore, I am not at all satisfied that the Island Co-operative is operating -- I am completely satisfied it is not -- for the benefit of producers on Vancouver Island, and I feel it is completely unsound. I feel there is not the volume of potatoes on the Island to justify the operations of the Island Co-operative.

THE CHAIRMAN: We appreciate you are not a member because you are against the principles?

MR. WYNDLOW: I should be delighted to become a member of the Co-operative if the Co-operative was a voluntary Co-operative and a real Co-operative, but it is not a voluntary Co-operative, it is simply an agency, and an agency equipped with statutory powers.

THE CHAIRMAN: Isn't the patronage dividend a perfectly normal feature of a Co-operative?

MR. WYNDLOW: Yes, I would say ---

THE CHAIRMAN: And you would not object to patronage dividends or the manner in which they are dealt with?

MR. WYNDLOW: The Attorney General has ruled that it applies to all growers, but it has been paid to members only, so the members are picking the pockets of those who are not members. The Deputy Attorney General was definite on that.

There was a meeting, and it was definitely agreed on that meeting that action would be taken in regard to that matter prior to the annual meeting of



the Vegetable Marketing Board, which I believe takes place about the end of this month. However, the Minister of Agriculture in a letter to me a short time ago has completely gone back on that undertaking and now says the matter requires further investigation.

THE CHAIRMAN: You are not objecting to the procedure of patronage dividends in principle?

MR. WYNDLOW: Not at all.

THE CHAIRMAN: You are objecting to it in this case because some people are not members and still come under the jurisdiction of the Board and do not receive patronage dividends?

MR. WYNDLOW: If it was paid to all shippers it is perfectly in order. We might object to the establishment of this large profit which I think is improper for a Co-operative, but that is merely a matter of administration.

COMMISSIONER MacKICHAN: Would you know if the Island Vegetable Co-operative is regularly chartered under the laws of the Province?

MR. WYNDLOW: I can only assume it is. This organization has only been in existence for a matter of -- I am open to correction, but I would estimate not more than five or six years. Before that the marketing of potatoes on the Island was handled through licensed -- well, through the wholesale houses or co-operative companies. I think there were seven organizations who were licensed by the Board to buy



and sell them to the trade. At that time on the Island it cost \$2 per ton. Now that the cost has gone up to well over \$20 a ton, isn't it only natural that a grower should question the efficacy of such an organization?

COMMISSIONER MacKICHAN: Getting back to this balance sheet, I take it that being regularly chartered under the laws of this Province there would be bylaws regulating the charter, and I notice the chartered accountants make no reservation in this certificate, so I take it that the disposition of funds here is in keeping with the bylaws. Chartered accountants auditing books refer to the bylaws, so I take it that the matter is legal, in keeping with the laws of the Province.

MR. WYNDLOW: I would almost think you are quoting the views of the Minister of Agriculture, but the gentleman whose duty it is to examine these matters says to the contrary, that it is not legal. I am not against Co-operatives by any means; I belong to two Co-operatives and they are run satisfactorily without any trouble and major disputes. But this Co-operative is not a Co-operative, no reasonable person can regard it as a Co-operative. When it has to depend on force and private police going around getting information and breaking into houses, it is not a Co-operative.

COMMISSIONER MacKICHAN: For the



information of the Commission, we would like to be sure we are not confusing the Board and the Co-operative. Are the not two separate bodies? Does the Co-operative institute the legal proceedings or does the Board institute the legal proceedings?

MR. WYNDLOW: The Co-operative, as I understand it, is the full legal agent of the Board. The Board pays the cost of maintaining the private police, and I maintain the Government pays the cost of the prosecutions.

COMMISSIONER MacKICHAN: That is your opinion?

MR. WYNDLOW: I think that as a result of my experiences in Court I can say that that is definitely so.

COMMISSIONER MacKICHAN: I am trying to differentiate between the Board and the Co-operative.

MR. WYNDLOW: It has full powers. I think it is merely a matter of administration who pays the cost. Last year, the 1956-57 season, an inspector or policeman was appointed who covered the Island. His salary, I believe -- the Chairman of the Board can correct me if I am wrong -- his salary and expenses were, I believe, paid by the Board, and I assume the \$4,800 in agency fee was considered sufficient to cover the costs of the Board. But the Government itself pays the cost of prosecution.

COMMISSIONER WALTON: Could we ask you, Mr.



Wyndlow, to give us a picture of how you sell your potatoes, who does your grading, what your outlet is?

MR. WYNDLOW: I have sold potatoes to the Board in almost every year since I have been growing potatoes. There was one occasion when the Board refused to sell potatoes for me, and in 1956-57 they also refused to sell potatoes for me. I have been a public critic of the Board, I may say.

May I submit two statements of the Island Vegetable Co-operative covering two shipments? I have averaged out the figures here. In April, 1957, I shipped 3,315 pounds of ungraded potatoes to the Nanaimo Agency, and the figures here -- they culled out 870 pounds. The wholesale price at that time was \$55 a ton, grading was \$.56, marketing fee \$6.11. My net return to me for the 3,315 pounds was \$40.74.

On the next return there was a return, if the culls were taken out, which reflects a price of \$33.33 per ton. Actually my experience has been over the years that almost all the culls that are returned to the Board are saleable potatoes, but the Board is obviously not equipped to sell them. There is a market for almost everything, but the Board, by the very nature of its operations cannot find these specialized markets which certain types of potatoes will enjoy.

For instance, a large potato, a Gem which has a knob on it is thrown out by the Board as a cull. But those potatoes, those knobbed potatoes, there is a market



MR. WYNDLOW: None at all.

COMMISSIONER WALTON: Do you use the services of the Co-op Agency where they do the grading and packing?

MR. WYNDLOW: I do my own as much as possible. I feel that is another complaint I have against the Board. As far as the Nanaimo Agency is concerned, they will not allow us to do our own grading. They deprive us of the right of working with our own crop. We are required to take it directly in to them. They insist and compel us to have our work done by hired labour as a result of which on a very small volume of potatoes we have run into wages of \$36,402. If the growers do not want to do that kind of work, it is up to himself. They can send their potatoes to that Board. What about the rest of us? I am an old man. I cannot handle very heavy work but I can sit or stand in my potato cellar in the winter months and grade my potatoes and earn myself a few dollars by doing that. I have a certain amount of leisure in the winter months. Why am I deprived of the right of working with my own property?

COMMISSIONER DRUMMOND: Mr. Wyndlow, I think you have been outlining a variety of reasons why you are very much in opposition to this method of marketing.

MR. WYNDLOW: May I correct that a little bit? I am not in opposition to the method of marketing.



I am in opposition ---

COMMISSIONER DRUMMOND: That is precisely the point I want to get at. You state definitely here on page 2, in the middle: "The Marketing Board is not functioning in a manner beneficial to the growers."

You have also told us that in your opinion this method is fundamentally unsound. You have also mentioned that the lack of volume is a major reason for the unsoundness.

MR. WYNDLOW: Yes.

COMMISSIONER DRUMMOND: I wonder if you would care to outline for the benefit of the Commission in a summary a sort of list of reasons, if you can, why you think it is unsound and the conditions under which you think it might be sound?

MR. WYNDLOW: Well, in the first place I should like to refer to a clipping which was in the press reports of the meeting which took place in Nanaimo a short time ago, to which I have just referred, in which the representative of the Board -- I think it was Mr. Don Wilson, the Vice-Chairman of the Board, pointed out that there were great difficulties in the matter of marketing potatoes on Vancouver Island. If the Commission wishes to see this, I will be glad to leave it with them. It is headed "Scattered Growing Areas having difficulty in Selling Vancouver Island potatoes."

There is only one large city or comparatively large city on Vancouver Island, Victoria. We have a



number of medium-sized cities or small cities. Nanaimo would probably be 15,000 people, and Duncan about 10,000 people, and our problems on the Island are quite different to those which maintain on the mainland where the great bulk of potatoes are marketed in the City of Vancouver.

A great number of people, I would say almost the majority of people, probably, on the Island, would prefer to buy their potatoes unwashed and in 100-pound sacks if they could get them more reasonably by so buying them. Of course, naturally, they cannot.

I think it is only the customers of the chain stores who, as a general rule, like to buy their potatoes in these small amounts, washed.

I have a milk route which is my main business, as a matter of fact, and I know I have discussed this matter with my milk customers. They will only go to the chain stores and buy these small quantities of potatoes if they cannot get the 100-pound sack unwashed potatoes sold to them. Only then will they go to the chain store.

The people who live in apartments, of course, buy their potatoes from the chain store anyway they can because they have no place to keep 100 pounds.

There is a very large market. As a matter of fact, I could sell 50 per cent, if I am permitted to -- I could sell 50 per cent of my production at any time just to my milk customers, just that small group of people who buy milk from me -- in 100-pound lots.



I feel to maintain a number of agencies or depots or plants where they wash and pack potatoes on the Island with a tonnage of only possibly seven or eight hundred tons, it is an uneconomical proposition and the Board admit that. They admitted that in this meeting.

Apparently they make a profit and the Board -- I believe again Mr. Holt can correct me if I am wrong, that is the only possible operation of the Vancouver Island.

In Nanaimo I am quite certain they do not handle anything like 1000 tons of potatoes in a season because they are not grown in that area.

But here again they see the result of all this. The production of potatoes is going down and down and down and in certain areas particularly at Duncan it has been going down.

MR. Wilson said, in regard to the Courtenay area, which is one of the best agricultural areas on Vancouver Island, growing is going down and down -- quoting Mr. Wilson.

On the other hand, the total production of potatoes on Vancouver Island is going up simply because the four big growers, who are claiming control of the whole market, are increasing their acreage. Some of the small growers are dropping out.

In regard to the last brief, the gentleman said that in a plebiscite in 1953, 251 ballots were



sent out by the Department to registered growers on Vancouver Island. I have here a letter from the Secretary of the Marketing Board, Mr. Gilmour, dated February 6th, 1958, in which he states: -- I will put this in evidence:

"Producers for the second district of

"Vancouver Island for the crop year 1951 --"

There would not be any appreciable difference between 1951 and 1953.

" -- totalled 103. For the crop year

"1954 the amount increased to 112 registered growers."

I think the Government figure of 251 is probably the right figure and the figure of 103 incidentally, I believe, should be 102.

The current figure of growers shows a decrease of well over 50 per cent yet the total production of potatoes has increased, due to the operation of these four large growers.

Mr. Wilson stated in this meeting -- he is quoted here -- that another considerable acreage is going to be developed about thirty miles north of Nanaimo. I think I know the piece of land. It is fifty or more acres. It is only going to be done by the large growers or other individuals who are under the control of the large growers, where the entire production of potatoes is falling into the hands of four men.

COMMISSIONER DRUMMOND: Well, it is the



compulsory nature, insufficient volume nature, that you are really primarily objecting to?

MR. WYNDLOW: Yes. I think that if the compulsory feature were eliminated, you would see an immediate increase in volume and I think that the Board will probably enjoy a larger revenue. I think it would cut its costs, its charges, and enjoy a larger revenue than it is getting now.

COMMISSIONER DRUMMOND: Who would increase that volume?

MR. WYNDLOW: I will give you one sample. It is my own, so it is easy to give it. As a result of the operation of the Board against me last year I was obliged to abandon about 15 acres of potato land which I was leasing. Immediately I dropped it Mr. Wilson, a big grower in our area, picked it up, and yet at the same time I know a man -- I am in a position to give his name to this Commission privately, but I cannot do it publicly -- I know a man who sold back a potato farm, a considerable acreage of land admirably suited for the production of potatoes, and he was advised before he started production, he was advised by a member of the Board not to grow potatoes. At the same time some member of the Board was increasing his own acreage. As a result he didn't go into potatoes.

COMMISSIONER DRUMMOND: You mentioned also -- you speak in one or two places here -- that the Board pays very low prices, and you leave us definitely with



the impression that in the absence of the Board you could get very much higher prices. Why is that?

MR. WYNDLOW: Contrary to the evidence given in the last brief, it has been my experience that almost any small retail store dislikes the Board intensely and claims that they can't get a uniform grade of potatoes from the Board.

Where a retailer knows a grower produces a satisfactory potato year after year, the quality is known to the customers. That retailer wants to get that supply of potatoes. He knows it is going to be satisfactory. He knows his customer is going to want it and there is no doubt or risk or anything else comes into the picture, but he is not allowed to buy those potatoes by the Board. He is told he cannot have those potatoes under any circumstances. He has got to buy any and every potato that the Board feels inclined to give him. The Board are attempting to operate on a strict socialistic basis. Everybody must buy all potatoes, all potatoes must be sold regardless of their quality. They will be graded, naturally, of course, but no individual consumer can obtain a supply or continuing supply of a particular potato that he or she wants through a retailer.

I tried over and over and over again, year after year to get the Board to give me permission to sell my potatoes through certain retail outlets, where they very much want it, on payment of the charge that



is levied by the Board, but the Board always refused me that, although I understand they are doing that to quite a large extent in other areas.

They always refused me and that is what the retailers object to, and I think it is what the customer objects to, because the customer can't tell what kind of potatoes he is going to get.

We have heard a lot of stuff about testing and the grading and all that sort of thing, and we heard a lot at this meeting that was held in Nanaimo. I took occasion to speak to Mr. Holt, who is here, and Mr. Wilson, after that meeting, and asked them why the Board had supplied the chain stores at the beginning of March this year with hundreds of tons of potatoes in order that these general chain stores, started by the secretary, could put on a special on potatoes at \$3.35 approximately for 100 pounds when the wholesale price in Nanaimo at any rate was \$3.60 a 100 pounds. The answer which was given by Mr. Wilson was that the whole thing was very difficult, and very complicated, that the crop obtained this year all over British Columbia had been affected by necrosis, which consists of small black growth or infected area around the stem of the potatoes, and is not particularly damaging in the early part or most of the winter, and also had hollow hearts, and they had to get rid of all those potatoes.

I pointed out to Mr. Wilson that the prices of spotted potatoes on the New York market at the time



these sales took place had risen from about \$2.35 a hundred to over \$4.25 a hundred, and therefore there was a strong indication of an advancing market on a national basis, and yet they had supplied hundreds of tons of growers' potatoes to these stores to sell them actually below wholesale price. The explanation was that they had to get rid of them because they were not going to stand up. Necrosis increases in the potato until it becomes unsaleable. How do they reconcile selling necrosis infected potatoes and hollow heart potatoes to all these stores as No. 1, supposedly? It just doesn't jibe. There is something wrong somewhere. At any rate, that is the situation.

Now, the price that we are required to pay now -- the consumer has to pay -- is practically 10 cents a pound on potatoes on the Island.

COMMISSIONER DRUMMOND: Could you tell us a little about what the actual method of selling potatoes was before the Board came into existence, and also indicate the degree of satisfaction?

MR. WYNDLOW: I have here a circular that was sent out by Mr. George Howland, who lives on the Island. He was at one time chairman of the Marketing Board in its early years, in the 30's, I think, and he describes the system that is used when he was chairman of the Board and which system subsisted until the, I think it is, the 50's, until 1950. He says:



"When I was the Island member on the
"three-man Board, control cost you only
"\$2 a ton (tag money) and payment to every
"one (except Victoria sales) was based on
"the price retailers paid for your pro-
"duce, not as now at the lower price paid
"by wholesalers."

This was a circular addressed to the growers.

"The old \$2 a ton system was one with
"seven branch agencies let on contract
"to feed store Co-ops, individuals or
"firms, at a fixed sum, usually \$1 a ton
"of potatoes sold. The difference be-
"tween the contract price and \$2 was
"taken by the Board and with the licence
"fees from growers, retailers and whole-
"salers provided supervisory services,
"cost of bookkeeping, inspectors, etc."

In other words, it was all done in those days for \$1
a ton.

COMMISSIONER DRUMMOND: By whom?

MR. WYNDLOW: Done by the Board and these
seven contractors. I can tell you who they were.
They were Kelly Douglas, Malcolm, Nanaimo; I think
they shipped. I know Jamieson & Son in Ladysmith
was one of them. Those are the only ones I had any
dealings with. At that time nobody could raise any
objection to this marketing arrangement. The cost



was nominal.

COMMISSIONER DRUMMOND: In view of what you have just said now, I am wondering why it was that the Board's method of marketing was actually suggested.

MR. WYNDLOW: Well, that was a Board method of marketing. This was all changed when the Island Co-operative came into existence, and as to the motives which activated the formation of the Island Co-operative, I can only form my own estimates and I am not going to do that.

COMMISSIONER DRUMMOND: Supposing, just supposing that the Island Co-operative's present Board method was non-existent. What would be your personal thought as to a method of marketing potatoes?

MR. WYNDLOW: As far as I am personally concerned, I don't care at all whether we have the Board. I mean, if the Board goes out of existence it wouldn't make any difference. I could sell my potatoes at very satisfactory prices without any difficulty. I am in a special circumstance. I am not going -- I don't want to go into it. I am not an average grower, you see, so I don't want to quote my own position on that, but I know a number of other growers who were strong supporters of the Board's system of marketing and who have now come around to the conclusion that the Board on the Island is not only unethical but is an actual deterrent. It is a nuisance. It is much too costly.



COMMISSIONER DRUMMOND: A few minutes ago you mentioned that you were not opposed to Co-ops?

MR. WYNDLOW: No, I think it is a very good thing.

COMMISSIONER DRUMMOND: In view of that, I am wondering whether you would favour voluntary Co-ops or a completely individual method?

MR. WYNDLOW: No, a voluntary co-operative. I would favour a voluntary Co-operative.

COMMISSIONER DRUMMOND: What particular effect do you think would ensue from the use of voluntary Co-ops?

MR. WYNDLOW: Under the present circumstances which differ now from those **ten years** ago a lot of potatoes has to be packaged and washed. Under the present circumstances that has to be done by a central agency and plant. I think that is where a Co-operative comes in. It would provide a central place where those people who did not -- either did not or could not sell their potatoes by themselves in the dry state, did not want to do their own grading, none of us can do our own washing, it is much too expensive, but a central Co-operative could keep one or two plants, or three plants, on the Island where that work could be done, and those sort of sales could be made through them. A lot of people do not want to have anything to do. Once they have grown potatoes and put them in the cellar then they want to get rid of them, and why



shouldn't they? They are entitled to do if there are enough potatoes, and there should be an agency to handle the output of those people.

As a matter of fact, I send a lot of my own too. I think if it was operated on the voluntary basis it would be an excellent, helpful organization and all this business of policemen running all over the place pinching everybody and putting them in jail, it is too nonsensical. If it was a surplus market, it might be different. , We are in a deficiency area. We can only produce now 40 per cent of the market requirements. We can sell our potatoes at top prices. I can compete with American prices and wholesale prices and get a premium and so can everybody else who puts up a good product The market is waiting for us, and it has deprived us now of a market for our lower grade potatoes because they won't let them be sold.

COMMISSIONER DRUMMOND: You mentioned earlier that there were these particular types of potatoes, one you mentioned being knobs, that could be sold for special purposes.

MR. WYNDLOW: Yes, sir.

COMMISSIONER DRUMMOND: You also indicated that the Board is not in a position to find a market for those.

MR. WYNDLOW: It would be difficult.

COMMISSIONER DRUMMOND: Why would not the Board be the best person to find a market for those?



MR. WYNDLOW: It is a specialized market and the Board couldn't -- nor do I think any other industrial organization -- couldn't put a man on just running around selling a few hundred pounds of potatoes at a certain price here and there because boards have to deal mostly with large retail and wholesale outlets. Certainly on the Island there isn't the volume that would make it profitable.

COMMISSIONER DRUMMOND: It really boils down to insufficient volume?

MR. WYNDLOW: Yes.

COMMISSIONER DRUMMOND: You say there are only a few hundred pounds of that type of potato?

MR. WYNDLOW: Of each individual grower, you see, yes. Two hundred pounds.

COMMISSIONER DRUMMOND: If there were sufficient volume of that particular kind then it would be technically possible for the Board to go out and find a satisfactory market for it?

MR. WYNDLOW: Subject to cost of doing that. That would be a matter of development as we went along. We might find out the volume was not sufficient to contact that market. I find on the other hand many of my milk customers, for instance, a very strong demand. I should say at the very least 50 per cent the demand is for potatoes so big, that is a little small for a No. 1 or perhaps is a little irregular in size; just some minor deficiency. Now if you offered them those



potatoes at 50 cents a hundred pounds below the price of No. 1's, they will jump at it. They want to save 50 cents. Lots of people haven't got the money to pay these top prices. I feel the consumer is not getting a break. The consumer is not being allowed to say what she wants. She should have a choice.

COMMISSIONER DRUMMOND: Do you think some consumers would choose to select these other grades of potatoes?

MR. WYNDLOW: From my own experience, at least 50 per cent of them in our area.

COMMISSIONER DRUMMOND: You don't think they would have first preference for the top grades?

MR. WYNDLOW: Definitely not. No, I would say it was divided fifty-fifty.

COMMISSIONER DRUMMOND: Price means more than quality, does it?

MR. WYNDLOW: No, but you have the quality too. It is the appearance. Mr. Wilson has said that thousands of tons of good, excellent food is being thrown away because they don't look good on the grocers' shelves. Fifty per cent of the customers don't give a hoot what they look like on the grocers' shelves.

COMMISSIONER DRUMMOND: What it really boils down to is the method of determining the grade consistent with the food value of the product?

MR. WYNDLOW: Would you mind repeating that?



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COMMISSIONER DRUMMOND: It seems to me, like you say, that the commodity, potato, has the necessary food value, nutritional value, even though it is not permitted to go into one or other of the established grades.

MR. WYNDLOW: Exactly. I believe under certain circumstances of extreme shortage the Government inspectors, Dominion Government graders will permit a lower grade. I haven't seen Dominion Government No. 2 grade; it must be pretty bad.

COMMISSIONER DRUMMOND: You are inclined to question the scientific soundness of the present-day grading?

MR. WYNDLOW: No, I wouldn't say that. In dealing with large tonnages it isn't possible, probably, but we don't necessarily have to do that. If there was some leeway there could be a market found that the Marketing Board couldn't do because they are tied down and must necessarily be tied down to more or less strict standards.

COMMISSIONER DRUMMOND: Supposing the total production of potatoes was five or ten times greater in this whole area?

MR. WYNDLOW: Would you mind separating the Island from the mainland?

COMMISSIONER DRUMMOND: Take the Island. Supposing it was ten times more than what it is. That would mean that you would have a correspondingly increased



amount of these other types of potatoes that you would somehow try to find a market for. Do you think it would be as possible at all then to find a market for that volume?

MR. WYNDLOW: According to my experience, 50 per cent of the market is for these small, ungraded, undersized potatoes. If we had ten times that volume -- it is impossible on the Island, but supposing we did have ten times we would have a large surplus of potatoes over requirements and then all our problems would be completely different. A marketing board then would be absolutely indispensable.

COMMISSIONER DRUMMOND: So that the volume factor is No. 1 in your consideration?

MR. WYNDLOW: Yes, and the compulsory feature. The compulsory feature is the most vicious because it deprives a man of what people call common law rights, it deprives him of his property. I have been run into \$2000 costs in legal proceedings in the last year, and they can break me, they can take land away from me.

THE CHAIRMAN: Thank you very much, Mr. Wyndlow.

MR. WYNDLOW: Thank you.

Would it be possible for me to make one additional remark? As a result of these investigations, I was hoping that Mr. Diefenbaker might be giving me an opportunity to decide whether or not the restriction



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of the rights of the individual which has taken place or are taking place here as a result of this operation should be covered by the Bill of Rights which I understand he has produced.

COMMISSIONER DRUMMOND: That is a matter of Federal jurisdiction.

MR. WYNDLOW: I would presume this Commission will report to the Federal Government, will it not?

THE CHAIRMAN: Yes.



SUBMISSION OF
THE UNITED FISHERMEN AND ALLIED
WORKERS UNION

THE CHAIRMAN: The next brief is the brief
of the United Fishermen and Allied Workers Union. You
are ---

MR. STEVENS: Mr. Homer Stevens, Secretary-
Treasurer, and I have with me Mr. E. G. Bjarnason.

THE CHAIRMAN: What is your relation to
The United Fishermen and Allied Workers Union?

MR. STEVENS: I am the general secretary-
treasurer.

THE CHAIRMAN: Your organization embraces
both fishermen and shore workers?

MR. STEVENS: Yes, as the name of the union
implies, it takes in all those who work on the fishing
vessels, with the exception of certain owner groups,
and all those who are engaged in either transporting or
processing fish on the packer vessels that are used in
the shore plants.

THE CHAIRMAN: Would you please proceed to
read your brief?

MR. STEVENS: Mr. Chairman, Mrs. Walton
and gentlemen: The United Fishermen and Allied Workers
Union wishes to place before you its representations
regarding the relationship of prices paid by the consumer
of fish products to the prices received by fishermen.



This union is the collective bargaining agent for the majority of organized fishermen of British Columbia, and also for the wage earners employed in shore operations of the fish processing industry.

The price of fish to the fisherman is governed by a minimum price agreement between the union and the Fisheries Association of British Columbia. The fishing companies are free to pay more than the minimum price, but not less. When in this brief we refer to the agreed minimum price we will designate it as the union price. When referring to the actual price paid, we will refer to it as the landed price.

Agreements between the union and the Fisheries Association of British Columbia also regulate the wages and conditions of wage earners in the shore plants. We therefore have a twofold interest in the subject before your Commission, being as a union interested in obtaining a fair price for the fisherman, and a fair wage for the shore worker.

We would begin by pointing out to the Commission that we, and indeed anyone except perhaps the fishing companies, are under a severe handicap in discussing the question of price spreads owing to the unavailability of comprehensive and accurate statistics.

The Department of Fisheries does a good job of providing regular and detailed reports of fish landings and values.

However, when we attempt to go beyond this



landed value which averages out to a price of 28.2.

2. Inconsistency: It is an extremely difficult business to construct any sort of series from Dominion Bureau of Statistics publications, on account of inconsistent reporting and frequent changes of specifications. For example, landed values of salmon are reported in the Monthly Review in all of the last ten years except 1951, 1952 and 1953, in which years, for some unexplained reason, British Columbia is omitted from the table dealing with landed values. Many similar inconsistencies could be cited.

3. Inadequate classification: We should have liked to examine the statistics of shore operations much more closely, but have been hampered by the fact that canneries, fresh fish and cold storage plants, and reduction plants are lumped together in the Dominion Bureau of Statistics manufacturing statistics. Since these are greatly dissimilar operations, statistics combining the operations of the three convey almost nothing about any of them.

Our purpose in making the above criticisms is the constructive one of seeking a recommendation for more satisfactory statistical services in future. We must also, however, acknowledge to the Board that the statistical material which is advanced in this brief, is necessarily subject to the limitations imposed upon it by the quality of the sources.



Price Spreads:

In discussing the question of price spreads, we are sensible of the fact that little is accomplished by merely pointing to the large differences which exist in many instances between the price to the primary producer and the price paid by the consumer. No product is brought to the market without some costs for processing, transportation and/or handling. Since, with one exception, we deal with private companies which do not publish financial statements, and since we are hampered by the limitations of government statistics of manufactures already referred to, there is but little we can do to account for and appraise the margins that arise at the wholesale and retail levels. Something is to be gained, however, by describing these margins, and particularly by observing their changes over a period of time.

In the two tables which follow, we have calculated the price spreads at the wholesale and retail levels, for sockeye salmon, which is marketed almost entirely as a canned product, and for halibut which is sold almost entirely as fresh or frozen fish.

Sockeye. In the case of sockeye, the margins shown for the packing companies in Table I must be judged with caution for the following reasons:

1. Landed values are in some cases overstated (by Dominion Bureau of Statistics). For example, in 1957 very few fishermen received more than the union



minimum price of 28 cents a pound, yet the Dominion Bureau of Statistics figure is 31 cents. Nevertheless we felt that we must use this figure in order to be consistent, although it results in an undersatement of the packers' margin. For most other years, such tests as we have been able to apply do not indicate a significant difference between the facts and the figures.

2. The margin is calculated on the assumption that 72 pounds of raw fish are required for a 48-pound case of the canned product. This may be a high figure, and in any event the other 24 pounds are not entirely wasted. At least part of that amount is recovered in by-products whose value in 1956 amounted to \$507,000. The margins shown are therefore conservative.

Some features of this table that may be noted at this point are:

(a) The wholesale price appears to be about equally divided between the fisherman and the packer. Note, however, that this results from landed values above the union minimum price. These higher landed values result partly from competitive bidding, and partly from statistical error. At the union minimum price for 1957 (which for that year we believe to have been the actual landed price) the wholesale price of an eight-ounce tin would work out to 21 cents to the fisherman and 24.9 cents to the packers.

(b) The retailer's margins, if the reporting is



accurate, appear to be surprisingly low, being fairly consistently less than ten per cent.

MR (c) In four of the ten years, the retail price in Vancouver was equal to or greater than the retail price in Toronto. It is quite apparent therefore that the basis of pricing is the principle of charging what the traffic will bear, rather than equating price to cost.

Halibut. In the case of halibut, the data being available, we have calculated the landed value from total poundage and value figures, which we feel sure gives a much more accurate result than the landed values based on Dominion Bureau of Statistics sampling.

In judging the material in Table II, it should be borne in mind that the companies in this instance are almost purely middlemen. The wholesale prices quoted are for frozen, headless and dressed halibut, as are also the landed prices paid to the fishermen.

Except it should be stated the fishermen do not freeze their halibut, but they are dressed.

The packers' margin in this case is a large one in relation to the service rendered. Practically the whole cost of the halibut operation is borne by the fishermen, yet the companies took $11\frac{1}{2}$ cents out of the wholesale price of 27.8 cents last year, and 9.8 cents out of the wholesale price of 24.3 cents ten years ago.

In this instance also, the retailer's margins (if Dominion Bureau of Statistics reporting is to be



trusted) are out of line, and have been steadily increasing -- from $13\frac{1}{2}$ cents per pound in 1948 to 30.1 cents in 1957.

Here again, however, caution is necessary in interpretation of the statistics. Dominion Bureau of Statistics reports wholesale prices for whole fish, and retail prices for steaks. The steaking is sometimes done by the wholesaler and sometimes by the retailer. In either event, however, taking the government figures at face value, the margin calculated in our table includes the cost of steaking, and the wastage, which we estimate to be about 5 per cent.

Also, our table discloses the extraordinary fact that the reported price of frozen halibut steaks is in most years higher than that of fresh steaks. This is partly due to seasonal factors, but also partly, we suspect, to statistical error.

The outstanding features of the halibut figures is in the contrast between a fairly narrow change in the price to the fisherman, which was $14\frac{1}{2}$ cents per pound ten years ago, and 16.3 cents last year, and the steep increase in the retail price which increased from 37.8 cents in 1948 to 57.9 cents in 1957.

Note also that the year to year fluctuations in the return to the fisherman, do not reflect any corresponding fluctuations at the retail level. From 1950 to 1955, for instance, the landed value dropped 35 per cent while the retail price actually rose.



We do not pretend to have the answers to the mysteries cited, but suggest that they are matters that need investigation.

I would like to add, Mr. Chairman, at this point that in relation to halibut we do not have a union minimum price. Perhaps that should be elaborated later in the question period.

Factors in the Price Spread:

The margin between the price to the fisherman and the price to the wholesaler is of course composed of costs and profits of the packing companies.

As previously mentioned the companies concerned are private companies, whose operating statistics are not available to the union, neither through published financial statements nor government statistics.

The principal item of cost with which the union is concerned, however, is the wage paid to the shore worker, who is a member of this union. It is the purpose of this union as the collective bargaining agency of the shoreworkers, to obtain for them a wage which is adequate for the services they perform, and fair in relation to the wage standards prevailing in the community. In so far as we do this, we are not contributing to any unfair or unreasonable price difference between the primary and consumer level.

If it is considered that the prices established by the Wartime Prices and Trade Board, and the wages established under the wartime wage control



legislation were fair and reasonable for that period, it may be useful to examine the trends since that time.

Up to 1957, the wholesale price of canned salmon had increased by an average of 185 per cent over the wartime prices (average of wholesale prices of sockeye, coho, pink and chum weighted according to the average pack from 1948 to 1957) and the price to the fisherman by about the same amount. See Table III.

During the same period, the wages of cannery labourers increased from 65 cents per hour in 1944 to \$1.52 per hour in 1957, an increase of 134 per cent. This increase does not reflect the whole of the improvement in earnings, since various other benefits have been established, the most important of which is the payment of time and one-half for overtime in excess of eight hours per day (previously all overtime was paid for at straight time rates).

Even allowing for the total remuneration of the shoreworkers having increased by a larger percentage than their hourly rate, these figures certainly do not indicate that they have received more than their fair share of the increase in the price of the product, if that.

Moreover, from the point of view of cost, an increase of 134 per cent in wage rates does not indicate an increase of that amount in wage costs. A Gordon Commission study by the Fisheries Department and the Fisheries Research Board ("The Commercial Fisheries of Canada") indicates that total employment in British Columbia



fish processing plants changed as follows:

1942	6,900
1943	6,000
1944	6,200
1952	4,600
1953	3,800
1954	4,400

This would certainly indicate that there has been a large increase in productivity of the industry, and, consequently, an increase in labour costs far less than proportional to the hourly wage.

For the year 1957 only the Union has payroll figures for the industry as the result of the operation of our welfare plans. The returns under these plans indicate that the total payroll for shoreworkers and tendermen, and including overtime, vacation pay and welfare payments, amounts to, in round figures, \$6,250,000. Estimating that 70 per cent of the total, i.e. \$4,375,000 is attributable to salmon processing, and dividing by the total catch of 132,000,000 pounds, we have a wage cost of 3.3 cents per pound. In relation to retail prices of up to 50 cents for a half pound tin, this is surely a small factor.

As to the adequacy of the present wage rates, we must point out that the basic wage of \$1.52 per hour compares with basic rates of \$1.72 in logging, \$1.85 in pulp and paper, and rates in that vicinity in the other main industries.

Profits

The only company in the industry which publishes



financial statements is B. C. Packers Limited. This company is the largest in the industry and accounts for a large part of the total production. The total value of fish products of British Columbia in 1956 amounted to \$67,725,100 (Fisheries Statistics of Canada, 1956). B. C. Packers total sales in that year were \$52,227,000.

The income of the company, as disclosed in its annual reports, has been as follows. I don't think I will give all those statistics immediately, Mr. Chairman. They can be seen.

THE CHAIRMAN: I think if you will read the headings and the first figures and then the last figures.

MR. STEVENS: Actually it is given as an average, 1942-1944, and showing the depreciation of \$365,047, the taxable profit, \$696,811, and the per cent return taxable profit capital and surplus, at 14.8. Bringing that forward to 1957, depreciation, \$963,845, taxable profit, \$977,679, and per cent return taxable profit capital and surplus, 8.7.

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<u>Year Ending in</u>	<u>Depreciation</u>	<u>Taxable Profit</u>	<u>Per Cent Return Taxable Profit *Capital and Surplus</u>
1942-4 (Average)	365,047	696,811	14.8
1946	565,941	1,366,237	23.2
1947	611,467	1,362,413	21.5
1948	575,481	3,167,749	46.7
1949	563,780	1,630,608	20.1
1950	925,571	1,818,125	20.0
1951	990,980	2,980,169	30.5
1952	1,279,854	1,984,422	17.5
1953	1,141,076	114,899	0.9
1954	1,114,598	1,321,217	11.6
1955	1,017,306	3,052,708	25.9
1956	959,445	2,770,553	20.6
1957	963,845	977,679	5.7

*Fisheries Statistics of Canada, 1956.

This company has come to occupy a more and more dominant position in the industry and, as the above statistics indicate, has earned a very handsome return on invested capital. After paying income tax and \$3,682,634 in dividends since 1945, the shareholders' equity has increased during that time from \$5,892,361 in 1945 to \$14,191,120 in 1957. Figured as simple interest, this works out to an average return of 14 per cent per annum after tax, calculated on the capital and surplus at April 30, 1945.

THE CHAIRMAN: Mr. Stevens, you have just started a new section. We normally stop at 12.30 for the lunch break and it is that time now. You cannot finish your brief now, so would you mind coming back and finishing it at two o'clock?

MR. STEVENS: That would be fine.

---The Commission adjourned at 12.30 p.m. to resume at 2.00 p.m.



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---Upon resume at 2.00 p.m.

THE CHAIRMAN: Come to order, please.

Mr. Stevens, you had started reading the section "Rising Consumer Prices do not Reflect Primary Prices." Would you start that section again, please?

MR. STEVENS: Yes, sir.

Rising Consumer Prices do not
Reflect Primary Prices.

In recent months, business interests have conducted an intensive propaganda campaign to convince the public that labour has been responsible for the high level of prices. The term "pricing oneself out of the market" has appeared more and more frequently in editorials and public pronouncements. Labour, it is said, uses its collective strength to raise wages, this in turn forces prices up and causes unemployment and other evils.

In the fishing industry this takes a twofold turn. Here it is not only the wage earner who is supposed to be forcing prices up through collective bargaining, but the fishermen as well.

We think it important, therefore, to stress the fact that collective bargaining in the fishing industry has consistently taken the form of negotiations based upon the existing market prices. Because none of us can foresee the future, the tendency is to base our arguments on what has happened in the past, and the



results of bargaining reflect this fact.

For the purposes of this brief, we have sought to determine statistically the relationship between the consumer price and the prices established by the union in its agreements. Table IV is one illustration of this relationship. In this table we have calculated the wholesale prices of canned sockeye for the first six months of each of the last ten years. The union salmon price agreement is usually signed in June or July, hence this division of the prices shows for each year the average price prevailing before and after the establishment of the union minimum price for the year.

It will be noted that the union price increased in four of the last ten years. In 1950, the union price increase of two cents per pound was preceded by a wholesale price increase of \$3.07 per case and followed by a price reduction of \$3.45 per case. In 1951 the union price increase of 3 cents per pound was preceded by a rise of \$1.60 per case, and followed by a rise of 52 cents in the second half of 1951, and by a total reduction of \$2.44 per case in the following year. A two cent rise in the union price in 1955 was preceded by a rise of 30 cents per case in the first half of that year and 44 cents per case in the last half of the previous year, and followed by a rise of \$2.46 per case in the last half of 1955. In 1957 a rise of 4 cents per pound in the union price was preceded by wholesale price increases of 10, 50 and 90 cents per case in the three



preceding half years, and followed by a rise of 19 cents in the last half of 1957. Also, the only union price reduction during the period, of 3 cents per pound in 1953, followed a drop in the wholesale price of 30 cents in the first half of that year and \$2.44 in the previous year, and was followed by a further reduction of 20 cents in 1953 and 53 cents in 1954.

These movements certainly do not offer any support whatever for the theory that prices to the consumer are determined by the prices negotiated by the union. Rather, we think that they prove that what the fisherman receives is what he is able to bargain for out of the consumer price that has already been determined by factors beyond his control.

Further evidence of this fact emerges from correlation of the consumer price of canned sockeye and the union minimum price. We have correlated the two series by quarters from 1948 to 1956. The resulting coefficient of correlation is .380, which certainly does not indicate a very high degree of relationship between the union price and the consumer price. When we stagger the two series in such a manner that the price to the consumer is matched against the union price for the previous quarter, the resulting coefficient is .233, indicating a still lower degree of



relationship. On the other hand, when the series are staggered the opposite way, in order that the consumer price in any quarter is matched against the union price in the following quarter, the coefficient rises to .504. This is still not a high degree of correlation, but we think it significant that the highest degree of relationship between the two series of prices arises from the hypothesis that changes in union prices follow the changes in the consumer price, while the lowest degree of relationship arises from the hypothesis that consumer prices are determined by the union price.

The question no doubt arises, if the consumer price is not based upon the price to the primary producer, what does determine it?

We have already cited the anomaly of retail prices that are higher in Vancouver than in Toronto as evidence that the principle is to charge what the traffic will bear. What the traffic will bear depends upon the prices of foods in general, upon the prices obtainable in alternative markets abroad, and upon the supply of fish, which we relate a little later on.

In Table V we compare the export and domestic prices of fish. In this connection we would draw attention to the fact that the domestic price appears to be consistently higher than the export price, a fact which proves that the companies are not at the mercy of their overseas market.

In Table VI we compare the price of salmon



with the size of the annual pack. While this does show a tendency to an inverse relationship it is far from true that the price always falls when the quantity rises.

We suggest that an important factor in the determination of the price is the monopolistic character of the industry. We have already cited figures to show the overwhelming dominance of B. C. Packers Limited. The very size of this company, in relation to the industry as a whole, is itself evidence of monopoly.

When one company is in a position to dominate the market to the extent that this one is, competitive factors lose their importance. The fact, for example, that a large output is not necessarily reflected in a low price, or may even be accompanied by a rising price, merely indicates that the packers' monopoly, in the guise of "orderly marketing" is in a position to artificially curtail supply by holding large inventories.

Recommendations:

We have referred above to the need for better statistics.

The problem of determining the earnings of the fishermen and of the shoreworkers is a relatively simple one. It is the other costs and the profits of the companies that are now shrouded in fog.

We should like to see the production of regular statistics showing the cost of the raw product, labour cost, other operating costs and profit margins, by major species, and with canneries, fresh fish and cold storage



and reduction plants separated.

The most important varieties of fish for such classification are salmon, halibut and herring, but flatfish, cod and shellfish are also important.

We further suggest that the industry should be subjected to a thorough investigation of its marketing practices and of the degree of monopoly control in both the production and distribution sectors.

Increasing centralization and mechanization, which have been taking place for many years should have produced increased efficiency and consequently lower margins of price spread. We have, however, seen no evidence of such a tendency, a fact which can be explained only by the effect of monopolistic practices. The future will no doubt see a continuation, indeed an intensification of the process of mechanization. It is therefore most desirable to bring the monopolies under public scrutiny and control in order that the benefits may in future accrue to the primary producer and the consuming public.

Respectfully submitted,

"Homer Stevens,

United Fishermen & Allied Workers
Union
Secretary.

THE CHAIRMAN: We will have some questions to ask you. Perhaps I might just ask you one or two



more about your organization, Mr. Stevens.

How long has your organization been active?

MR. STEVENS: This organization, the United Fishermen and Allied Workers Union, was formed in 1945 as a result of an amalgamation of the then existing Fishermen's Union and the Shoreworkers' organizations. Some of the organizations which went in to make up our present organization dates back to 1893. It is quite a lengthy process. I do not suppose you are interested in going back to that date.

THE CHAIRMAN: Is this the only organization of its kind in British Columbia?

MR. STEVENS: There is another union in the fishing industry, the Deep Sea Fishermen's Union of Prince Rupert, which is based primarily on the halibut fishermen.

THE CHAIRMAN: The halibut fishermen?

MR. STEVENS: The halibut fishermen with some trawlers, I believe, which also belong. It is quite a small organization and in recent years has been actually growing smaller rather than growing larger.

There are also some other organizations that exist in the fishing industry that do similar work. For example, the Native Brotherhood of British Columbia, which is primarily an organization of native Indians engaged in fishing or in working in processing plants. They do sit with us during collective bargaining in the



industry and of course there are Co-operatives which will be presenting a brief here today.

THE CHAIRMAN: You draw your membership, then, from all parts of British Columbia where fishermen and shoremen exist, do you?

MR. STEVENS: Yes. We have articles chartered in pretty well all of the fishing ports from here to Prince Rupert and over into the Charlottes. I think at the last count there were something like 37 branches on the coast.

THE CHAIRMAN: Where is your head office?

MR. STEVENS: In Vancouver.

THE CHAIRMAN: How many fishermen would you include in your membership?

MR. STEVENS: I do not know whether I can give you an exact breakdown. Our total membership at the end of 1957 was 6,800; possibly 2,400 of these would be classified as shoreworkers and the balance primarily fishermen.

Of course, there are some who drift back and forth during the season from one occupation to the other.

THE CHAIRMAN: Have you any idea what proportions of fishermen on the one hand and shoreworkers on the other this membership may represent of the total?

MR. STEVENS: It has been rather difficult for us to compile that information for a number of reasons. In the first case, the shoreworkers' classification, being a seasonal industry, there are quite a large



percentage that come in at the very peak of the season, who do not join the union since they are for short periods ranging from two to three weeks up to six or seven weeks.

I would say that in the group that stay with the industry from year to year and form the basic corps, if you like, of the organization that it is quite a high level; possibly in the neighbourhood of 90 per cent. We do not have a union shop. We have a compulsory checkoff condition so that all those in the industry have to pay dues although they are not compelled to belong to the union.

THE CHAIRMAN: How do you get compulsory checkoff from fishermen?

MR. STEVENS: I am speaking now of shore-workers. In the case of the fishermen we do not have compulsory checkoff although we have in some of the sections of the industry conditions which approach that.

For example, in what we refer to as the big boat fleet, which includes the halibut vessels, salmon seiners, herring seiners, and vessels of that kind, we have conditions which require preference of employment for union membership and in some cases clauses in our agreement -- in the Halibut Agreement, for example -- which provide that for the crew only union membership shall be employed. That is usually the rule.

In the case of these vessels the organization



again is of a very high level.

In some of the other groups, for example, in the gill net fleet, where we have been successful in establishing minimum price agreements, which settle their basic working conditions and other welfare conditions and so on, the organization there is relatively high, possibly in the neighbourhood of 75 or 80 per cent.

In some of the groups, where we do not have agreements as yet. For example, the trawler salmon fleet, the organizational level is very low, possibly less than 30 per cent.

THE CHAIRMAN: Is there some other organization operating in that area?

MR. STEVENS: There is an organization of trawlers at the present time although they do not have the majority of trawlers organized either. There are many factors relating to trawler organization.

Perhaps I should explain this, that the men who are employed on the larger vessels are usually the first to organize because they have no investment whatever in the industry and the first to feel the need for organization to protect themselves.

The fishermen who own smaller boats outright, such as gill netters, being also faced with the same problem of exploitation, have organized on a very strong basis going right back to 1893.

The other trawlers -- a lot of them fall in



the category which seems to be almost halfway between those who are in the smaller boat fleets and those who are in the position of owning their own boats. For example, on the halibut fleet and salmon seiners and the herring seiners. The owners of those boats usually employ crews of from four men up to eight or nine men and are not permitted to belong to our organization by the rules of the organization itself. They are sort of in an employer category.

THE CHAIRMAN: There are some members of your organization who are, in a sense, independent fishermen with their own gear and not employing ---

MR. STEVENS: Well, the gill net fishermen are in the position of either owning or attempting to own their own boats and gear. We do not consider them as necessarily being independent because the overwhelming majority of them have very definite ties or commitments of one kind or another with the big fishing companies. Therefore they too are required to get together to establish a fair price for the fish they produce.

THE CHAIRMAN: When you are negotiating, how do you conduct this dual function? Do you negotiate price and then negotiate for shoreworkers or do you just do them together, or how does it work?

MR. STEVENS: Ordinarily it is done separately but simultaneously. In the case of the shoreworkers and tendermen -- these are men who work on fish packers,



transporting fish from the fishing vessels to the shore plants; the process of bargaining is the same as in the case of all other industrial workers.

We have the protection, if you like, or the utilization of the Labour Relations Act.

In the case of the fishermen, the negotiating process is very similar but it does not come within the scope of the Labour Relations Act of the Province of British Columbia. There are certain provisions under the Fisheries Act of British Columbia which provide for arbitration for disputes provided no agreement has been reached; although that has not been used very often. We have applied for it on occasion. It has to be a joint application and usually the companies reject it.

MR. STEVENS: Now the wage that you determine by negotiating for the shoreworkers is an agreed wage. I understand the price you negotiate for the fishermen is a minimum price?

MR. STEVENS: Well, the wages in a labour agreement, or at least in our labour agreement, I think this is common to a lot of them, is also stated as a minimum wage and the conditions pertaining to it are considered as minimum conditions, but there is nothing to prevent an employer from paying a higher wage if he should so desire, although very rarely has that happened.

In the case of the fishermen, our experience



has been varied. I will give you the sample of the herring fishermen first. We established there a minimum price, or labour rate, for catching herring, rate per ton, and that becomes a fixed rate once it is established in the agreement. I don't think we have ever found a company paying higher than the rate set out in our agreement for herring, and all our members.

In the case of the salmon agreement, the salmon price set out in our agreement becomes pretty much the actual price paid. That is particularly true of the salmon seine fleet, which is the larger vessel. Primarily I think because of the greater degree of control that the companies exercise through chartering the boats, and this they work out with the owners, and it requires delivery of all fish to those given companies.

In the case of the gill net fleet, again the minimum price, for example, last year for sockeye became pretty much the fixed price. It wasn't exceeded except in very few places and for very few fishermen. On other occasions the minimum price has been exceeded. For example, 1957 the minimum price for sockeye in that year was 24 cents, and the price opened up at the start of the season at 26 cents and went to 28, and there was a further adjustment at the very end of the season which was made retroactive to the middle of July at a price of 30 cents, so there



was a spread of 6 cents a pound between the minimum price set in our agreement and the actual price received by the fishermen.

THE CHAIRMAN: This process starts in, is it -- you indicated a price around June and July, do I understand?

MR. STEVENS: Ordinarily the salmon negotiations open in May. This year they opened in March. There is no definite time for negotiations to start, and they are usually concluded in the latter part of June or the early part of July, although we also have had in some years a system of reopening prices in the fall. It is a long history relating to the use of the fish.

At one time it was not permissible to export salmon in the fresh or frozen state prior to a certain date, prior to September 1st, and there has also been considerable competition from American processors coming into British Columbia to buy salmon in the fall. That has been quite true in the past, not so true in recent years. In any case, there is a clause in our agreement usually which provides for reopening negotiations on or about September 1st.

In the case of the herring, negotiations usually take place in the fall, start around the 1st of October.

THE CHAIRMAN: Would you care to pick up this question of halibut? You mentioned you did not



have a minimum price.

MR. STEVENS: Yes. We have made efforts to establish a minimum price for halibut in British Columbia for the fishermen. The job of doing that is complicated by the fact that the halibut fisheries is an international fishery. We have the International Halibut Commission between Canada and the United States which sets out quotas of halibut to be caught, the maximum quota, and the American halibut fleet would be in a position, if we tried to establish a minimum price, they would be in a position to continue fishing and take all the halibut while we were possibly wrangling with the companies over what that minimum price should be.

The company here have consistently refused to sit down and negotiate a minimum price for halibut, and it is our opinion that we would only be able to establish it after a fair amount of wrangling with some cessation of operations. We have tried to get the American fishermen to take some action. They for some time were of the opinion that they couldn't do that simply because of certain legislation which they encounter in the United States which has stripped the fishermen's union there of the right to bargain. In recent years there have been some changes of opinion and some indication of possibly there will be a minimum price agreement. At the present time halibut fishermen who catch these quotas in a very short space of time are pretty much at the mercy of the fish dealers. They



bring their fish in, put it up for sale and what is known as exchange. Since halibut is coming in in very large quantities, fishermen have no way of holding their fish over. The buyers are in the driver's seat, and the fishermen are very dissatisfied with the method of disposing of the halibut at the present time.

You will notice that their minimums, or at least their price, their actual prices have risen very, very slowly in the past ten years, and have not kept pace with rising costs, cost of living or cost of operating boats and cost of gear, and so on.

THE CHAIRMAN: What is the time of the halibut run?

MR. STEVENS: It usually opens on the 1st of May. This year it opened on May 4th.

THE CHAIRMAN: Same time as the salmon?

MR. STEVENS: No, salmon, the basic salmon season for the net fishermen, gill netters and seiners, opens about the 1st of July. There are some places where they can fish sometimes a bit earlier than that.

THE CHAIRMAN: Do the halibut fishermen turn to salmon fishing after the halibut season is over? Is this the way it goes?

MR. STEVENS: Some of them do. I mentioned here the halibut. Just roughly speaking last year I believe was in the neighbourhood of 26 million pounds for what is known as Area 2 is for the B. C. coast and extends up part way along the Alaska Panhandle.



Other Area 3 had a quota of 28 million pounds and extends up to the Alutian Islands. The usual practice is for a lot of fishermen who are combination halibut and salmon fishermen to take in Area 2, and that quota is usually taken much more rapidly than the Area 3 quota, partly because of the distance boats have to operate away from their home ports and the fact that smaller boats can hardly operate in Area 3 at all. That usually is over by mid-June or the latter part of June, and a lot of those fishermen, probably the majority of them, then turn over to salmon fishing, but there are some who continue right on and fish Area 3 which runs into September, and some years is as late as October.

THE CHAIRMAN: But the herring comes on later, does it?

MR. STEVENS: Yes. I think the quota for the herring season officially opens here on May 1st, the same as halibut, but there hasn't been quite the same volume of herring taken out during the summer months as in the winter. As a matter of fact, it is only in the last four or five years that any volume at all of herring has been taken out during the summer period. Out of an average catch of possibly 180,000 to 200,000 tons of herring last year, I believe there were 40,000 tons taken out during the summer, the balance taken out during the winter season.

THE CHAIRMAN: Would it be a simple view of



it that basically the fishermen are salmon fishermen, that because of the differences in the season they can pick up the halibut earlier or they can pick up the herring later? Is this a fair view of it?

MR. STEVENS: Well, sometimes we find that fishermen are engaging in as many of the available fisheries as possible. The background, the back history of it would have shown a more specialized trend. There were those who considered themselves salmon fishermen and salmon fishermen only, and there were those who considered themselves as long liners, which is the type of gear for catching halibut, and when they weren't fishing halibut they were engaged in fishing char, Alaska black char and plain char, and so on. There was also a group who fished pilchards during the summer and then fished herring in the winter, but the pilchards disappeared some years back and they haven't been able to locate them since. They haven't come back to our shores. The people who formerly, the fishermen who formerly engaged in that, now engage primarily in salmon fishing during the summer. Because of other trends, the extreme competition in the industry, the tendency towards reduced earnings, even that production has necessarily fallen and has pretty well compelled them to seek out every available week of fishing time.

THE CHAIRMAN: What would be the longest period on an average? If you started in May and



fished in November; is that about it? If you went through the halibut, salmon and herring?

MR. STEVENS: If you were in that position where you could take in all three, it would possibly start in May and fish right around to March 10th in the following year.

THE CHAIRMAN: There is some fishing during the winter months?

MR. STEVENS: Yes, the herring fisheries. I should make it plain whereas we have possibly in the neighbourhood of altogether, I suppose, seven or eight thousand fishermen engaged in one or other phases of the salmon fishing, the herring fishing only requires or has required about one thousand men, so that you couldn't say that the typical fisherman was able to follow all three branches of the fishing industry and put in that amount of time. As a matter of fact, I think last year we found that a very large percentage of the fishermen were unable to get in a sufficient number of weeks to qualify for unemployment insurance, fifteen weeks.

THE CHAIRMAN: I want to ask you about this: supposing a man concentrated on the salmon fishing alone. This would run over how many months, and what does he do in the rest of the year?

MR. STEVENS: First of all it would depend on whether or not he was a small boat fisherman or a salmon seine fisherman. If he were a small boat



fisherman, a gill netter it is possible for him to start fishing, well, as early as March 1st for spring salmon. That is not too profitable, and the majority of salmon net fishermen do not start that early, that is gill netters. A good number, quite a large number would start in May and could fish around to, oh, some time in the latter part of October when the season is usually closed by the Department of Fisheries.

Actually the big bulk of the salmon gill netters do not get started until the last week of June and they fish through to mid-October or the end of October, and the salmon seiners start usually in July, around the first week in July and fish through until the season is closed.

As far as what they do during their off seasons, as I mentioned before some of them go into the herring fishing, one thousand or so. Others put in a certain amount of time fishing cod, shrimp, other minor species of fish that are caught here in British Columbia. Some of them turn to other occupations and try to get into the woods and work there, or whatever other occupation may be open to them. At that time of the year they don't have a very good choice of jobs because usually they run into the problem of seasonal unemployment at that time of the year.

THE CHAIRMAN: When you have negotiated the price in May or whenever you get into it, it is a price which will hold for the catch of the season



coming up. It is an advanced price, as it were. Have you any idea at that time as to the factors affecting the season? That is, whether it looks like it will be a good season or whether it looks as if it will be a bad season? Is this knowledge available to you at the time you are negotiating?

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MR. STEVENS: Well, we have had predictions of how much fish is going to be caught from people -- usually the companies make predictions. Last year they predicted 1,750,000 cases, but they were short of over 300,000 cases in their prediction. The Fisheries Department does try to give us some estimate based on the amount of spawning that takes place in the previous cycle, that would be four years prior, and the return of the small fry to the sea and various other things. However, they run up against some unexplainable problems, one of them what they commonly refer to as ocean survival. There is a big mother ship fleet, the company's mother ship fleet operating out there, and our suspicion is that a lot of Canadian salmon which go out to sea don't find their way back. So we are not in too good a position to determine how many salmon are going to be caught in any given year.

THE CHAIRMAN: I come from the Prairies and I am just getting so close to the technical side that I am going to stop. I think Mr. MacKichan knows something about Atlantic fishing.

COMMISSIONER DRUMMOND: I am completely



innocent and ignorant in respect to the habits of all species of fish. Is there such a thing as degree of regularity, biological regularity? Do they tend to come in cycles? Is there any degree of regularity of production in that way?

MR. STEVENS: Yes. I think possibly the best example of that might be by using the Fraser River as an example. We have certain dominant species of salmon that come into the Fraser. For example, the Adams River run which is expected this year has been in most cycle years one of the largest, if not the largest, run of sockeye salmon. However, we are not absolutely sure that it is going to come back. The International Salmon Commission has found that on any given tributary on the Fraser or any given river there is usually one which is dominant, that is it may be 50 per cent greater in volume than any other run in that particular stream. Whether it has to do with feeding conditions or something of that nature they haven't been able to fully determine. Other runs are consistently smaller. One of the largest runs in the Fraser was the run that was destroyed by the slide in 1915 at Hell's Gate which goes away up the Fraser.

COMMISSIONER MacKICHAN: Although I am connected with the fish business, I am even more geographically remote from the area than the Chairman. However, I wonder if you could very shortly and briefly tell us something about the fishers in British Columbia and



seiners and so on.

MR. STEVENS: You mean the type of gear that they use?

COMMISSIONER MacKICHAN: The type of boat.

MR. STEVENS: I will take the gill net fleet first. The boats probably average around 32 to 33 feet in length. They are usually powered at the present time with 6-cylinder gasoline motors, the type -- well, they started off with automobile engines, and now they have quite adequately powered marine engines to power them. They have a reel, what we call a drum, on the boat to haul the net back on the boat. They set the net out usually 200 fathoms long or 1200 feet and it stretches 60 meshes deep, and the fish has to swim into it. They operate now over the whole course. At one time they were using sails and oars and they were pretty well restricted, but now with the larger boats and the drums they can fish anywhere the fish is open to them.

The salmon seiners use what is known as a purse seine. These are boats which range from 40 feet amongst the smaller ones up to as large as 80 feet and employ crews from four men up to eight men. They also carry a net in the neighbourhood of 200 fathoms in inside waters and up to 350 fathoms in certain areas, the more offshore workers, if you like. The basic idea is to find the school of fish and draw the net up around them, and, of course, they have a very wide area



of movement where it is legal to fish on the coast. Both the salmon seiners and the salmon gill netters are restricted as to how far they can go off our shores by virtue of an agreement with the United States. It is possible to take salmon quite a long distance from the shore, and this was considered to be harmful to conservation of the salmon, so we entered into this agreement, and in some places we can't fish at all off our own shores unless we walk along the beach and try to throw the net in there; the areas are closed off. We are fishing mainly in the channels around the mouths of the rivers.

In the case of the salmon trawlers it is much the same type of gear except that it is based on trawling spoons and lures and use bait to possibly ten lines at times, where sportsmen use usually only one. These vessels fish in inside waters as well as going offshore and there is no law preventing them going offshore as they like, and it varies from a skiff with an outboard motor to vessels up to 55 feet in length.

COMMISSIONER MacKICHAN: Could you give us the price of those boats roughly?

MR. STEVENS: I would say a gill netter fully equipped with a drum would range in the neighbourhood of \$10,000. There are some of them can be as high as \$16,000 with the best equipment and boats, but \$10,000 would be an average figure.

In the case of seine boats it is very hard



to set a standard, but there is a yardstick used of a thousand dollars a foot.

In the case of the trawlers, they would range from boats four thousand or five thousand dollars to as high as twenty-five thousand dollars.

COMMISSIONER MacKICHAN: Would these boats be owned by the fishermen, generally speaking?

MR. STEVENS: In the case of the trawling fleet in the main they are owned by the fishermen. The gill netters either own their boats or are in the process of buying them. There are still some boats owned outright by the companies.

COMMISSIONER MacKICHAN: Do you have a fishermen's loan board which makes loans to fishermen to buy boats?

MR. STEVENS: There is a loan board, but I don't believe it is used on the West Coast. I believe it is operated quite freely on the East Coast.

COMMISSIONER MacKICHAN: Each of the four Atlantic provinces have active loan boards?

MR. STEVENS: Yes. There is nothing of that nature in the Province of British Columbia. I believe there is some national fund which may be used.

COMMISSIONER MacKICHAN: You mentioned sockeye quite freely throughout your brief. I take it you think that is the gilt-edged product in British Columbia from every standpoint?

MR. STEVENS: It has the highest price in



the market and we have also used pink to some extent.

COMMISSIONER MacKICHAN: I think in this brief the implication is also that the companies find sockeye a profitable operation?

MR. STEVENS: Yes. The usual concern is to see how much sockeye they can possibly pack. The difference in what they pay the fishermen and what they sell their sockeye for sometimes amounts to a figure equal to or greater than the total price for chum salmon or pink salmon.

COMMISSIONER MacKICHAN: Are there a lot of other species handled at a very narrow margin?

MR. STEVENS: In the case of pink salmon the margin is lower. Whether it should be classified as a low margin remains to be seen. We are unable to get facts and figures to say how much it costs the company to pack a case of salmon as against processing a pound of fillets.

COMMISSIONER MacKICHAN: On page 3-A in that paragraph on sockeye you mention at least a part of the wastage or by-product is utilized, that in 1956 it amounted to \$507,000. I take it this refers to the by-product in the salmon processing. It would probably be fish meal; is that so?

MR. STEVENS: That is just from salmon, yes. In the case of herring, in the main the whole fish is used.

COMMISSIONER MacKICHAN: In turning the page



and going over to halibut, you mentioned that there was no union price. What is the explanation here?

MR. STEVENS: As I said before, we feel there should be a minimum price, but because of the international character of fishing we felt it would require joint action of the Canadian and American fishermen.

COMMISSIONER MacKICHAN: I seem to recall in 1956 there was rather an embarrassing situation in halibut in the spring, a very heavy carry-over.

MR. STEVENS: I think there was probably less of a carry-over in the spring of 1956 than in the spring of last year. In 1956 the prices paid to the fishermen were higher, if I recall. The average price was 21.7 cents to the fishermen, landed value, according to Table II.

COMMISSIONER MacKICHAN: I was getting over onto the point of margin and it is the lowest in the whole packer's margin. Probably that point impinges on the packer more than the fisherman. There is a drop during the season, as I recall it, when we met somewhere in New York between the two parties, East and West.

MR. STEVENS: Well, if you will notice the retail prices for steaks, the column over to the far side, it shows 53.7. It is too bad we were unable to get the figures for retail price for frozen steak and the retailer's margin.



COMMISSIONER MacKICHAN: It seems to be one of those years there was a very heavy carryover long past the season when it should have been marketed.

MR. STEVENS: Maybe if I can go back -- there may have been some evidence of it but it seems to me that was the first year we put in our -- what we call "curtailment" or "lay-up programme." It should not be called a curtailment programme. That implies we curtailed production. It does not mean that. There was a system of lay-up between trips, eight days between trips, and the season was delayed. The opening was set by the commission for May 1st, I believe, and they did not start fishing until May 20th because of certain problems in ironing out the lay-up programme between the Canadian and American ports, and when the season opened, I do not believe there was any great carryover. I think the situation was that it was probably not very much and during that period, if there had been any controls previously imposed, they were pretty well taken off by the larger producers of halibut. Consequently prices went quite high.

They did complain of a carryover the following spring; that is the spring of 1957, and the price to the fishermen dropped very rapidly.

COMMISSIONER MacKICHAN: On page 6 you recite statistics here in regard to the number of employees and plant workers. What is the indication



there?

MR. STEVENS: You mean why has it come about?

COMMISSIONER MacKICHAN: Yes.

MR. STEVENS: First of all by the tremendous drop in the number of operating canneries and plants. Perhaps if I could call on Mr. Gordon, who is our big business agent, he can give you more information on the actual number of canneries that formerly operated.

THE CHAIRMAN: Would Mr. Gordon care to come forward? You are the business manger for the ---

MR. GORDON: The business agent.

THE CHAIRMAN: For the union?

MR. GORDON: Yes.

MR. STEVENS: Perhaps I might just mention, Mr. Gordon works primarily with the shoreworker end of the organization and he is more familiar with that end of it.

MR. GORDON: In 1954 when the union had established fairly well agreements covering most of the shoreworkers -- there had been a shoreworkers' organization for a number of years before that -- there was something like 32 fish canneries in British Columbia. Last year that had dropped to 17 and of course the average production during that period of time did not decline, at least not materially.

In 1944 there were in these canneries roughly 100 cannery lines, that is processing lines. Last year there were 58 lines operating. The lines, of



course, have been speeded up. New types of seaming machines, new types of filling machines, which have done away with labour. The type of line used now throws twice as many cans as the type of line they had in 1944 per minute. They fill around 260 cans a minute which means for every operating line now there are fewer employees actually employed than in each of the lines they operated in 1944; so this has automatically led to a very great reduction in the total number of shoreworkers.

A similar process of consolidation and centralization has taken place also as far as the reduction plants are concerned. That is the plants that are occupied on the reduction of sealing into meal and oil. This has been brought about partly through the lack of the pilchard fishery which vanished -- I think the last year they got into volume was 1946.

For instance, there were five operating reduction plants on the West Coast of Vancouver Island. None of those operate now at all.

COMMISSIONER MacKICHAN: That is what I thought it might be because they had the latest in machinery on the East Coast. The same thing has happened on the West Coast.

MR. GORDON: There is one other item which might be of interest. Last year one of the provincial companies completed a new cannery out at Steveson that



is equipped with the latest word in processing machinery and they had five lines there. I estimate that those five lines compared with the five high speed lines in a similar cannery in the Steveson area there would be thirty fewer employees. Of course, those five lines would throw just as many cans as the other five.

COMMISSIONER MacKICHAN: On page 7 under Profit -- I am not clear --

"The only company in the industry which
"publishes financial statements is B. C.
"Packers Limited."

We are just not going into that closely but you mention in the second last line the total value of fish products in British Columbia in 1956 amounted to \$67,725,000 and the B. C. Packers total sales in that year were \$52,227,000. Now, those are the B. C. Packers total sales, are they not?

MR. BJARNASON: Yes.

COMMISSIONER MacKICHAN: Taken from the balance sheets?

MR. BJARNASON: Yes.

COMMISSIONER MacKICHAN: And that would include fishing supplies and operations in Nova Scotia?

MR. BJARNASON: That would.

COMMISSIONER MacKICHAN: And, Los Angeles?

MR. BJARNASON: I think it should be stated, sir, that the \$52 million cannot be considered to be



contained in the \$67 million.

COMMISSIONER MacKICHAN: That is right.

MR. BJARNASON: We just do not have any way of setting out what part of it is ---

COMMISSIONER MacKICHAN: In fact there is really no relation between the two figures.

MR. BJARNASON: I would not say that.

COMMISSIONER MacKICHAN: It would be coincidental, if such?

MR. BJARNASON: I think British Columbia is the basic operation of the B. C. Packers.

COMMISSIONER MacKICHAN: Possibly.

MR. BJARNASON: There is some means in comparing those two figures. They should not be treated as being ---

MR. STEVENS: I think a physical examination of the industry would probably show the relative importance of British Columbia packers is quite high.

COMMISSIONER MacKICHAN: Not quite as set out.

MR. STEVENS: Not quite as high as those figures, no.

COMMISSIONER MacKICHAN: The next note I have is on pricing, on page 9. We get down to the middle of the paragraph where you use the expression: "The principle is to charge what the traffic will bear." Would you agree that has been practically always the lot of the market regardless of



what was handled, whether it is fish or apples or potatoes or even labour that you sell as such. Now, what the traffic will bear, would that mean competition from competitors in other products, freight, and all the other things that enter into it? Is that not the principle from fish to everything we sell? We take what the traffic will bear within reason.

MR. BJARNASON: We think what we mean here is we mean the determination of prices are more in the consumer market than in the cost structure of production. The companies will charge what they can get from the consumer, irrespective of what it costs them to produce. That, I think, is what is entailed there. Perhaps I might add something else. Whenever we sit down and negotiate with the companies they quite often tell us that the housewives tell them what they are going to charge, and they put it on that sort of basis. Now I never heard of housewives ever being in the position to bargain with these companies. She may at times be forced to just stop buying because she hasn't got any more dollars, or whatever the case is.

COMMISSIONER KIDD: Do you get all you ask for in the way of wages?

MR. BJARNASON: No, we usually find that the companies cut us down very drastically in what we make for wages, or working conditions, or anything of that kind.



COMMISSIONER MacKICHAN: I think that is what happened. We could expect to find it cheaper in British Columbia than we would in Toronto, but your flowers are just as high in Winnipeg as possibly out here and coal in Cape Breton is just as expensive as it is in Quebec. That is practically the law of the market, of course.

MR. BJARNASON: Even if you find that sort of situation prevailing generally, this is perhaps something that should be gone into very thoroughly because if there is any difficulty of monopoly in food, and that is something we claim does apply here to some large extent, the question of orderly marketing should be examined very thoroughly. It can mean that regardless of all the other economic factors that might surround a particular commodity, that the company is gouging the housewife in terms of prices unnecessarily.

COMMISSIONER MacKICHAN: Well, I was just wondering if you agree that whatever the product you are marketing, whether it is labour or fruits of labour, or the end result of any operation, aren't they all pretty much in the same category?

MR. STEVENS: In the case of your marketing labour, our experience has been that you are not in the same position as if you are marketing the fruits of labour. For example, we set up a contract for a year and in some cases two years. More recently most



of our labour agreements have been two-year agreements, and granted we do the best we can to get what we consider to be a fair rate, but as I said before we are always cut down. If there are changes that take place relative to the commodity that we are producing the workers on that job do not feel any benefit from it at all. The company may increase the price by 25 per cent and thereby make 50 per cent more profit that it made the year before. They do not pass that on to the worker. As a matter of fact they usually argue the workers have no right to suggest that there should be any of that profit passed back to them.

MR. MacKICHAN: You understand we are just looking for information, not getting into any argument.

You mention the seasonal nature of the industry here, and the terrific peaks there are, and the short season for biological reasons or whatever it is, that there must be in plant equipment and boats and everything else a tremendous overhead; is that correct?

MR. STEVENS: Yes. The fishermen find that the cost of maintaining their boats, that is speaking now for those who are members of our union -- that they find that quite a problem, particularly as those seasons are curtailed by various factors beyond their control, because the Department of



Fisheries has had to set their seasons down, they find it extremely difficult to meet their commitments in terms of repairs and overhead.

Perhaps if I could just go back a bit on the previous question and just explain what that means to the fishermen. He is in a position where he has got his production in a very short space of time. I mentioned the halibut season which lasts perhaps a month and a half. He disposes of all his production during that period to the company. The company puts it in the freezer and carries it over a period of twelve months, so that where the company may get the benefit of any rise in trends of prices and is able to accept anything that has to do with what the traffic will bear, the fisherman is not in that position. He has disposed of his product and disposed of it under conditions that he is at the mercy of the company.

THE CHAIRMAN: The price might also fall.

MR. STEVENS: That has happened. If you look at the years since 1945 broadly speaking the tendency has been for prices to rise.

COMMISSIONER MacKICHAN: Of course, the carrying of these products over the next season, I know something about that because we are also dealing in very high priced products, the carrying over into possibly a better season is pretty high to do, and another thing, we have, of course, in the industry is the American exchange, which has a terrific impact during this past year when your dollars,



your American dollar, takes 6 per cent out of it. It is kind of rotten, isn't it?

MR. STEVENS: It depends. It may have a bearing on it, although if the prices are showing a rise, for example if you look back into some of the pack orders, you will find that where they have had a carryover of canned salmon at times it may have been a burden and may have taken price cuts which would reduce their margin of profit very considerably. The other times, if the price is rising it can more than compensate for any carrying cost they may have had to bear.

COMMISSIONER MacKICHAN: Definitely.

MR. STEVENS: In terms of the exchange on the dollar, that may have a bearing on it. There have been times, of course, when the American dollar was worth more and they took advantage of that.

COMMISSIONER MacKICHAN: Not since 1946.

MR. STEVENS: In any case, when they are competing, we will say in terms of dollars, the American fishermen selling in Seattle usually receive somewhat of a higher price than Canadian fishermen delivering the fish in Calgary. The American workers working in the fish plants usually receive considerably higher wages than their Canadian counterparts.

COMMISSIONER MacKICHAN: The Chairman may have his gavel on my final question but I was just wondering what effect unemployment insurance will have on the life of the fisherman.



MR. STEVENS: Broadly speaking it has had a beneficial effect. It has helped the fishermen to carry through the off season, the winter months, when it is very difficult sometimes for them to find alternative employment either in the fishing industry or out of the industry. We would like to see some amendments, but I don't suppose they come within the scope of this particular Commission.

COMMISSIONER WALTON: You did mention the fact -- perhaps I am quoting you incorrectly -- you said that a great number of fishermen were unable to qualify for unemployment insurance, which you indicated was about fifteen weeks?

MR. STEVENS: Yes. The way the unemployment insurance was set up for fishermen, it provided that they could only draw benefits during the period which is referred to commonly as the "seasonal" or "supplementary", and fishermen did not come within the framework of this until April 1st, 1957, so they couldn't accumulate, they had nothing, no background. A lot of them, the ones who fished during the main portion of the salmon net season, starting in July and going through until October, found it very difficult to get the 15 stamps, which is the minimum to draw seasonal benefits. The Department of Fisheries locked off several weeks in the middle of the season and stopped them from fishing because of very poor runs in certain



areas. For a time the whole coast was closed down completely in mid-season, so that means that they got around 13 stamps, that is the net fishermen. Some were lucky enough, they started a little bit earlier and found some alternative fishing later and after the salmon season closed, so my statement here may be a little bit contradictory. For those who got it, it was certainly quite a benefit.

COMMISSIONER MacKICHAN: These fishing stamps can be supplemented by employment in other occupations?

MR. STEVENS: Yes, they can be ---

COMMISSIONER MacKICHAN: --- for people who can find work?

MR. STEVENS: For people who are drawing only the seasonal benefits. One of our complaints is that a fisherman, if he has a large number of stamps for fishing, and also a large number of stamps from some other employment, can never qualify for regular benefits by combining the two types of stamps. He must have enough in either type of employment to qualify.

COMMISSIONER MacKICHAN: Five is the limit for fishing stamps?

MR. STEVENS: Well, once he gets five stamps he is tagged as a fisherman and then has to qualify entirely separately for other employment.

COMMISSIONER MARTIN: Just a very minor question. On page 3-A you refer to by-products. You



say there that at least part of that amount is recovered in by-products whose value in 1956 amounted to half a million dollars, which is the processors' value of that by-product.

MR. STEVENS: It would be the market value, the gross market value.

COMMISSIONER MARTIN: The processing cost of that by-product is quite high?

MR. STEVENS: It may or may not be. It depends what they are using that particular by-product for. There are some types -- for example, salmon offal can be run through the regular product plant. He may also have some other product, such as salmon head oil, for example. That requires a little different process. There are salmon eggs -- salmon roe does not require too much in the way of processing.

COMMISSIONER KIDD: On page 2 you have made a comment about the lack of statistical data. Just some questions on this point. Have you discussed this point with the Dominion Bureau of Statistics people?

MR. STEVENS: Yes and no. We have discussed it with the Department of Fisheries who do some of the work of the preparation for the Dominion Bureau of Statistics. We have also had some discussion at various times with the Dominion Bureau of Statistics people, particularly in relation to their workers. We find we get more accurate figures from that.

COMMISSIONER KIDD: But that is not ---



MR. STEVENS: Materialized from that.

COMMISSIONER KIDD: But that does not clean up your problem?

MR. STEVENS: No.

COMMISSIONER KIDD: Who collects the price data that is used by the Dominion Bureau of Statistics?

MR. STEVENS: In the case of fish price and landing and all the rest of it, that is collected by the Department of Fisheries. We have what is known as the sales slip system. A copy of every sales slip or every slip by our fishermen is turned over to the Department of Fisheries.

COMMISSIONER KIDD: Is this collected daily, weekly, or how?

MR. STEVENS: In most cases on a weekly basis. The actual production of tables, statistics, and so on is usually on a monthly basis although we do have some weekly reports as well.

COMMISSIONER KIDD: There could be a variation in price, though, from day to day that would not show up in the statistical data if it were reported at a certain period of time?

MR. STEVENS: Yes, they would have the raw material but they would not necessarily report the fluctuations in price paid.

COMMISSIONER KIDD: How do you account for the inaccuracies there? You mention a number of differences in prices. I was wondering if you would



like to comment further on that?

MR. STEVENS: Well, it seems -- as a matter of fact I had a discussion here recently with a gentleman who is sitting in as an observer today, Mr. Blake Campbell, and he gave me some explanations, that his Dominion Bureau of Statistics people take a particular weight range of halibut, for example, and quote the price based on that weight range, and do not give an average based upon all the other weights because fishermen get a much lower price, for example, on what we call chicken halibut under ten pounds than we get for what is referred to as a medium halibut range from ten up to sixty pounds. There is sometimes a lower price paid for the halibut over sixty pounds; sometimes it is higher.

Then in the case of sockeye, I find that very difficult to understand and I couldn't get any explanation for it. We don't know just how these inaccuracies come about, but certainly more time and attention paid to it by Dominion Bureau of Statistics people would probably give us ---

COMMISSIONER KIDD: When you have negotiated your agreed price, do you rely on this statistical data?

MR. STEVENS: Well, when it comes to ---

COMMISSIONER KIDD: Or on your own information?

MR. STEVENS: Well, we are faced with this



problem, if we want to quote a Government source that has something which would give the appearance of being independent, we are faced with quoting statistics which are open to challenge. We challenge these, and likewise the company would challenge them. It is something we don't particularly like. We do not necessarily rely on them. We check them over against what our experience has been, our members' experience, and usually we base ours on that rather than on something that we know to be inaccurate.

However, when it gets into the market end, information is very, very difficult to quote in any way, shape or form. We get quotations from the American market and from the Canadian market that run all over the place -- just can't explain it.

COMMISSIONER KIDD: On page 4 in the third paragraph, under Halibut, you talk about the packer's margin and then you say the companies took $11\frac{1}{2}$ cents out of the wholesale price of 27.8 cents, and then on Tables I and II, if we can go there for a moment, you show landed value, and for example, the wholesale price in Toronto for sockeye and the packer's margin.

Now, my question here is, does this mean that the packers do their own wholesaling or are there other wholesalers involved as well in this process?

MR. STEVENS: In the case of most varieties there are other wholesalers involved, and perhaps that also would require some check with the Dominion Bureau



of Statistics people as to what they consider to be the wholesale price in each case. I think in the case of halibut what we rely on as the wholesale price is the price received by the purchasing companies here in Vancouver.

COMMISSIONER KIDD: They would be the companies. You are talking about the packers?

MR. STEVENS: Yes, and I believe that also applies to the sockeye. Mr. Bjarnason was telling me that in some cases, for example, these same packers do most of its own wholesaling all across the country. Other companies may deal with wholesale companies, brokers.

COMMISSIONER KIDD: On page 6, taking up the question asked you by Mr. MacKichan, the decline in total employment in British Columbia fish processing, can these decreases be related in any way to value produced or cases of salmon produced, or what have you? In other words, the productivity rate?

MR. STEVENS: Typical of this ~~is~~ these are composite figures, their employment, their operations ---

COMMISSIONER KIDD: Includes their operations only, doesn't it?

MR. BJARNASON: Yes. But you see the term "their operations" covers canners, fresh fishing, cold storage, production plants and, as you know, without computing productivity figures, you want figures that as nearly homogeneous as possible. Far from homogeneous



in this case.

COMMISSIONER KIDD: There is no breakdown for them?

MR. BJARNASON: Oh, I don't say it is impossible, but it would be quite a ---

COMMISSIONER KIDD: I just wondered about that decline of employment. It seemed fairly substantial. If we had some figures to go along with it, there might be some relationship, might be helpful.

MR. STEVENS: Perhaps if I might add something to what Mr. Bjarnason has said. The employment here could be affected by such factors as trying to relate it, say, to poundage or total production. There might be a very high production in a particular year on salmon, most of which was canned another year. The production might be considerably higher and unless you did have that breakdown you get a very misleading calculation.

COMMISSIONER KIDD: On page 7 you mention that for the previous year you should have the total figure -- or is that for 1957, 6.25?

MR. STEVENS: Yes. I should explain that that was calculated because we have now a welfare plan in which our companies pay 3 cents per hour for all their workers employed under our agreement. We calculated therefore using an average hourly rate of \$1.50 per hour, so it is a calculation, it is not the actual figure, but we think it is quite close to the



figure.

COMMISSIONER KIDD: You mentioned under Profit that the 52 million figure bears some relationship to the 1957 figure but not necessarily sufficient for our purposes. Could you tell me, have you any opinion as to why for this particular company there is such a large variation in the return from year to year, as high as 47 per cent and down to .9?

MR. STEVENS: Well, I can possibly explain the .9. The year ending 1953 was a year in which there was a loss of the entire herring season through disputes brought on by the fact that they were trying to cut the earnings of the fishermen by over 50 per cent. Again there was price cutting to the fishermen. I don't know whether I could explain it in detail. Perhaps some of the factors that should be considered -- the availability of sockeye might have a bearing on it. The profit margin of sockeye is usually higher, and that would be affected by what is happening marketwise in relation to halibut. If the purchasing from the fishermen is followed by a rise in the price of halibut on the market, then, of course, the profit in the following year would be substantially up. If purchasing from the fishermen was followed by a period in which market prices might not rise or fall, then the margin of profit would be less.

COMMISSIONER KIDD: Does the foreign market have an impact on that?



MR. STEVENS: It did in some years. For example, in 1953 there was some considerable carryover of canned salmon prior to arrangements which were made with Britain to step up their sales. I don't know if that would be the governing factor.

COMMISSIONER KIDD: One thing you mentioned about some new developments in the salmon fishing industry, salmon being caught further out to sea by the Japanese, there are one or two questions on that. Is there much Japanese salmon imported into Canada?

MR. STEVENS: Yes. During the two-year period 1956 and 1957 there was something like 266,000 cases of salmon imported into Canada.

COMMISSIONER KIDD: How does the price compare?

MR. STEVENS: Again we are not in too good a position. As far as the housewife was concerned, she paid the same price for imported Japanese sockeye or pink salmon as she did for Canadian salmon. As a matter of fact, she found it very difficult to find out whether she bought Canadian or Japanese salmon. They sold it under the Canadian brand labels, Paramount, Gold Seal, and Clover Leaf, and any housewife first picking up the can would think she was buying a can of Canadian salmon, and when she turned it around she would see in very small print "The product of Japan". As far as the price, we raised this question with the Department of Fisheries. The statement made by the



Minister of Fisheries was that there was a very small margin of profit by the Canadian importers, although we would like that investigated to find out what their margin of profit was. On one occasion we were told that Japan undersells it on the world market, and yet when they sell it here we are told they are not making a margin of profit.

COMMISSIONER KIDD: Do you feel that this is making an impact on the industry here?

MR. STEVENS: Last year after the importation of the bulk of the 266,000 cases we were told that they had a carryover of some species of salmon, and we are told that again in the negotiations this year which have opened up. The companies have told us that they have a carryover of Cohoe salmon, and they also have some sockeye on hand, but they feel they will dispose of that before the new season comes. We feel it could be sold on the market at a lower price and the consumer -- at least they would be buying a Canadian product. We feel they made a mistake in importing that amount of Japanese sockeye. The big bulk of the importation of Japanese canned salmon has been done by the big fishing companies, B. C. Packers, Canadian Fishing Company, Nelson Bros. One year I think those three were the only importers of Japanese salmon.

COMMISSIONER KIDD: I don't know any more about fishing than what my friend says he does, but on



your Table No. I you have the union price and the landed price. What would account for the difference between the two at any given time?

MR. STEVENS: Well, in some cases it would be a certain amount of competition between companies for the raw product on the ground, and in some cases it would be statistical error.

Take 1948. Just thinking back to that particular year, there was some competition, so the difference of 5 cents a pound -- part of it is made up in the real difference between the union price and the landed price. In 1957 the difference of 3 cents per pound is not a real difference. It is a statistical error, because the overwhelming majority of fishermen received just the straight price.

COMMISSIONER KIDD: On your Table III I notice that the percentage to the fisherman for sockeye and coho had increased. What is the explanation for that?

MR. STEVENS: Well, I think possibly that it has a great deal to do with the special position that sockeye commands in the marketing; sockeye of all the species of canned salmon will usually command a higher level and any rise in prices generally will be reflected more so in sockeye than in any other species.. In terms of the price paid to the fisherman, we have always found it quite difficult to be able to state at the end of any given set of negotiations that we achieved what



should have been a fair price to the fisherman. Take the situation in regard to Cohoe. That provides a very small percentage of the total season's earnings, and there is a tendency for fishermen who fish with nets to concentrate in their bargaining mainly on sockeye, pinks and chums. Like any other union, we don't know at the bargaining table what is coming to us.

COMMISSIONER DRUMMOND: You stated in your brief that apparently there has been quite a pronounced technological development in the processing of the product in the result that productivity has increased quite considerably. I wonder if there has been any comparable developments technologically in fishing itself. Have you had any increase in the productivity of fishermen?

MR. STEVENS: That is a very important question. The potential has been increased -- I won't say necessarily as rapidly, but very greatly. I mentioned the trend in boats, bigger boats and more expensive equipment. There have also been trends in the use of gear. For example, the gill net fishermen at one time used coarse linen nets. They gradually used finer and finer nets, and then switched to nylon and found it very efficient. In the case of the seiners they went to deeper, longer seines and then came along with certain power developments. First a cable, a power roller which helped to pull in the



net and in recent years a power block. I will not go into a technical discussion, but like any other block that is used for operating rollers or other equipment, used to pull the net back in, which has speeded up operations quite considerably. Plus that the development of what we call the drum singer where you have a lift on the stern of the vessel something like the drum that used to haul in the gill net.

The use of electronic equipment; echo sounders which can spot schools of fish and radar which helps them to navigate and so on. They have certainly increased potential but whereas in the fishery plant if the manager of the plant thinks he can bring in some kind of equipment and lay off workers he will do that and he has increased his productivity.

In the case of the fishery process, there is no control whatever over the number of fishermen who are going to fish. The fact is while the potential productivity is much greater the actual productivity per fisherman has tended for some years to go down.

In the case of the herring fishermen the average catch per fishing boat some years ago was calculated in the neighbourhood of 3,000 tons per boat per season. The last season they operated it dropped to closer to 1600 tons per boat. This was brought about by more boats coming in since there is



a limit to the volume of fish to be caught and the productivity tper boat dropped.

In the case of the salmon a similar experience has been encountered. I cannot give you the actual figures on it but production of salmon has not gone up. Last year we had an increase in the total number of licences granted to something like 1200 additional licences in one year, which will give you some idea of what would happen to productivity.

In the case of the halibut fleet, likewise there has been some increase in the numbers produced.

Mind you, there are some vessels with the very latest and very best of equipment and they actually have increased their productivity, but I had a very interesting discussion the day before yesterday coming from Prince Rupert with a halibut fisherman who told me this. We were talking about production. He said in the old days, fishing halibut with small boats which would carry twenty-five or thirty thousand pounds of halibut they used to make in the neighbourhood of ten trips per season. They would figure a good season was 200,000 pounds of halibut.

Today the boats will carry seventy to one hundred thousand pounds but they still consider 200,000 pounds a fairly good season's catch, so that in all of these developments the fishermen have not gained very much.

We have proposed, incidentally, that a



special commission of this kind, a Royal Commission, be appointed to investigate our claim that there may be some form of licence limitation in the fishing industry. We have presented a brief to the Federal Department of Fisheries or the Minister of Fisheries and various members of parliament and so on, asking that that be done. Perhaps that would be something that you could at least consider recommending. I do not know.

COMMISSIONER DRUMMOND: On page 3-A, to which several others have referred you mention there that the higher landed value of the union minimum price has been due to these things, competitive bidding and statistical error.

All I wanted to suggest there was that you apparently feel there is at least some degree of competition in the buying?

MR. STEVENS: Yes, perhaps if I could go back to 1956 again it would be helpful. Relating it to sockeye, which is quite important to us, as I mentioned the minimum price in our agreement that year was 24 cents. There has been apparently some discussion amongst the various fishing companies to the effect that 26 cents was the price they were going to pay for sockeye that year.

However, very early after the season got started there were some of the very small companies -- there are always fringe companies that do not



necessarily follow any line, if you like, that were paying 28 cents. Some had gone to 30 cents on the ground.

The major companies were still getting most of their production at the lower figures because they have a hold over the bulk of the fishermen; the fishermen who are paying for boats or very possibly paying for boats in the form of a contract mortgage which gives the company the right to seize the boat out from under them and so on -- one of the companies in particular, the ABC Packers, decided that this was not really too good a situation. There was a lot of hostility developing against their fishermen over this and they posted up a notice -- I forget the exact date they posted it -- it was some time during the season. They posted it over their plant that they were going to pay 30 cents a pound retroactive to July 15th.

Some of the other companies did not actually come through with it till on into December or possibly later than that because the Department of Fisheries' statistics for that year did not include the back payment in all cases. I think their average worked out at 27 cents a pound. When I talked with Mr. Campbell of the Department of Fisheries he pointed out they had not included that back payment.

COMMISSIONER DRUMMOND: This more or less follows up that. You mentioned there is a degree



of monopoly, probably in your opinion quite a pronounced degree of monopoly, in the plants. Have you a similar feeling about the situation within the retail end or is this entirely a matter of the processing industry of which you are thinking?

MR. STEVENS: In the case of the retail end, our feelings are not too -- our opinion is not too well developed. We know that there is certainly in the retail end large chain companies that seem to set the pace in terms of selling prices. Whether there is so much in the way of orderly marketing or monopoly practices there we are not able to say.

We do know in the case of the fishery industry the fishery companies that we deal with stated across the bargaining table they have orderly marketing. They said -- for example, recently they used for an argument or suggested that they felt the American competition in canned salmon was going to be greater than in the past because they had no union minimum price agreement to contend with there because of certain developments in the field of law, if you like, and also that they did not feel that the American companies had orderly marketing, had the benefit of orderly marketing.

COMMISSIONER DRUMMOND: Just one other question. You mentioned on page 7-A that in your collective bargaining it has taken the form of negotiations based upon the existing market prices. Is that



a starting point or is this the one and only consideration that you consider?

MR. STEVENS: No, in our negotiations we have taken into account many factors. As a matter of fact we rarely introduce the question of market prices for the product.

Our concern has been primarily the cost of living, the comparative wages for other workmen, the costs to our members in terms of production when they have their costs of buying nets and operating boats, buying gasoline, and so forth.

However, to the extent we do discuss market prices with the operators, we have to present counter arguments and so forth. We have no way of looking into the future and knowing what the future will be. We can only base ourselves on the existing market prices as we look back. We can perhaps look back over a year or two or three years.

COMMISSIONER DRUMMOND: The general idea is you take into consideration the question of supply and demand as far as you can in the past?

MR. STEVENS: Yes. If we knew there were companies that were faced with huge carryovers of salmon, that would have some bearing in the course of negotiations, whether we cared to like that particular situation or not.

On the other hand if we knew that their practice has been, as it has been for a good many



years, to hold back a certain amount of salmon to be sold on a more orderly basis, then we are not prepared to be concerned with that.

For example, pink salmon follows certain cycles. The average production in odd years will run in the neighbourhood of 800,000 cases. However, in the even years the average is closer to 350,000 or 400,000 cases so there is always a certain carryover of pink salmon even after the sales.

COMMISSIONER DRUMMOND: That is all.

THE CHAIRMAN: I think that exhausts our questions, Mr. Stevens. There is one observation I would like to make about the statistical problems.

Statistically, we will, of course, have an opportunity to discuss these points with the people in the Dominion Bureau of Statistics. I suspect that one of the problems is that data are produced for one purpose, for a specific purpose, and the best sort of procedure for that purpose is devised, and then almost inevitably they are used for other purposes as well, and there may be some fundamental weakness in that application. However, we will have an opportunity to discuss with them and see what comments they have to make.

We appreciate the reference because, as you know, in our Terms of Reference one of the things we are asked to do is recap information of what can be done about it.

MR. STEVENS: Incidentally on that, if I might



mention, we have found some difficulty, for example, in conversion factors. Take the export of canned salmon which is shown in hundredweights in the Dominion Bureau of Statistics figures. We ask, well, what is a hundredweight of salmon related to a 48-pound case, which is the usual measuring stick in the industry? We found that the conversion factor is on an average 52.7 pounds on a 48-pound case, but that is only an average. It varies according to whether the fish is canned in one-pound tins, or half-pound tins or quarter-pound tins, which makes some of that quite difficult. We have asked, or suggested, there should be a Government survey on canned salmon stocks on hand which would be of value to us in collective bargaining. The companies sometimes tell us that they have a lot of salmon on hand and they refuse to give us the background of their statistics.

There are figures out on holdings of salmon in cold storage, or halibut in cold storage by the Government. We are thinking now in terms of perhaps since we have had occasion to write out some of our grievances, to make a more thorough presentation, which would answer Mr. Kidd's question to the Dominion Bureau of Statistics, and certainly we would appreciate anything this Commission can do to inquire into how they go about it.

I think even the people here who do the work on the Pacific Coast would appreciate perhaps a little



more leeway and perhaps a little more precise information being gathered across Canada in the way of fisheries statistics.

THE CHAIRMAN: Thank you for your statement. We have been expecting a brief from the Prince Rupert Fishermen's Co-operative Union. Unfortunately there seems to be some trouble in getting the flight away. We are going to break off for about ten minutes and get what information we can, and I will make an announcement following that as to whether we will pursue the hearings any further.

---Short recess.

THE CHAIRMAN: Order, please. We have to announce that the flight has not left Prince Rupert and so we are cancelling the presentation at this hearing from the Prince Rupert Fishermen's Co-operative Association.

We are now adjourning the hearings in Vancouver.

---Whereupon the hearings adjourned at 4.00 p.m. until 10.00 a.m., April 14, 1958, at Edmonton, Alberta.

Harry Walton



ROYAL COMMISSION

ON

PRICE SPREADS OF FOOD PRODUCTS

HEARINGS

HELD AT

EDMONTON,

ALTA.

VOLUME No.: 4 HEARINGS HELD AT EDMONTON, ALTA. DATE:

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ROYAL COMMISSION PRICE SPREADS
OF FOOD PRODUCTS

Proceedings before the Royal Commission on Price Spreads of Food Products resumed at 10 a.m. on Monday, April 14th, 1958 at Edmonton, Alta., et seq.

CHAIRMAN:

Dr. Andrew Stewart

COMMISSIONERS:

Mrs. Dorothy Walton
Mr. J. Howard MacKichan
Mr. Romeo Martin
Mr. W. Malcolm Drummond
Mr. Cleve Kidd
Mr. Bernard Couvrette

Secretary - John Dawson

Assistant-Secretary - A. A. Caron



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Hon. Mr. Halmras
Minister of Agriculture

Farmers' Union of Alberta 562

Mr. Platt

Alberta Wheat Pool 604

Mr. Harrold

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Union of Alberta 561

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SUBMISSIONS OF
PROVINCIAL GOVERNMENT OF ALBERTA

Honourable L.C. Halmrast, - Minister of Agriculture

THE CHAIRMAN: We open the public hearings of the Royal Commission on Price Spreads of Food Products. The Commission will meet for two days in Edmonton, and we expect four briefs to be presented.

There will be a brief from the Provincial Government, the Farmers' Union of Alberta, the Alberta Wheat Pool, those three today, and tomorrow a brief from the Alberta Federation of Agriculture.

At the opening of the hearings in Vancouver, we put on the record certain procedures which the Commission will follow with respect to the public hearings. If there is any information which anyone wishes with regard to these procedures, this information can be obtained from Mr. John Dawson, the Secretary of the Commission.

The first brief is the brief of the Provincial Government of Alberta which I believe will be presented by the Honourable Mr. Halmrast, the Minister of Agriculture.

Mr. Halmrast, we are very grateful to you for preparing this brief and for coming here. We will be grateful now if you will read it into the record for us.

HON. MR. HALMRAS: Thank you, Mr. Chairman. Members of the Commission: The Government of the Province of Alberta welcomes the Royal Commission appointed to inquire into price spreads between producers of



primary products of farms and fisheries in Canada and consumers thereof. The task before you is a difficult one; we trust that your sittings in Edmonton will be fruitful.

The Commission has announced appointment of a staff of technical assistants. We assume the work of this staff will include detailed examination of the nature, extent and causes of individual price spreads as deemed necessary to the inquiry. Consequently, this representation will be confined to a general review of farmer to consumer price spreads and to indicate some areas in which detailed examination might be undertaken.

The interests of the producer and the consumer are served best under policies that promote the efficient production and distribution of food. The consumer recognizes that the producer must receive fair prices for his products if he is to continue supplying the market as required. On the other hand, the producer will find his market unnecessarily restricted if prices at the retail level are unreasonably high. Unnecessary middleman charges are detrimental to the interests of both producers and consumers. Although this representation deals chiefly with actions of the middleman which farmers generally feel should be examined, the consumer is equally interested in the share of the consumer's dollar absorbed by middleman charges.

A reduction of middleman charges may be expected to be of equal benefit to both primary producer and the consumer and it is on this assumption



that this representation has been prepared.

The Relative Strength of Bargaining Positions:
The primary producer occupies a relatively weak position in the market. Generally, the individual producer has little or no control over the prices he receives for his products. His share of the consumers' dollar is what remains after all other charges are met; in a very real sense it is a residual payment.

It might be claimed that by controlling supplies, the primary producer's position in the market is not as weak as is represented. But in practice, the degree of control over the supply of farm products moving to market which would be necessary to provide maximum income to farmers, would be difficult to attain. The production of farm products is world-wide and there are few individual products for which there are no substitutes. Moreover, the length of time required in the processes of production, year to year variations in crop yields and the fact that many food products cannot be stored for long periods, makes a forecast of future supplies on the market at any given time very difficult. Lastly, farmers plan production changes independently of one another. Increasingly heavy capital investments on farms and a lag of months or years between the planning and completion of production projects, makes quick change costly and impractical. The individual farmer, drawing upon past experience, utilizes the resources under his control for the production of those products that will yield the greatest net income over a period of years. Relative prices in the long run, rather



than daily price fluctuations, result in the adjustment of production programs at the margins.

Only in the long run can it be claimed that prices to the primary producer are based on the cost of production. Middlemen are in a position to cover day by day costs consistently. As reported by a previous Royal Commission on Price Spreads, headed, I believe, by Mr. Stevens, in 1935, processors, wholesalers and retailers protect their margins on a falling market. "Since marketing charges are comparatively inflexible, (i.e. middlemen are in a sheltered position) decreases in retail prices are reflected in relatively greater reductions in prices at the farm level". On the other hand, "middlemen's margins are promptly, if slightly increases as soon as rising prices permit". This was substantiated by the 1948 Kennedy Royal Commission on the same question. Middlemen holding storage stocks of agricultural products "made substantial fortuitous gains as a result of inventory appreciation". The practice of maintaining the same fixed percentage mark-ups during the period of rising prices that prevailed after the war also resulted in "an enhanced profit" to middlemen.

The producer is in a position to increase the prices he receives by devoting attention to the production of quality products. Grades established and enforced under Government authority protect the price differential so earned. The situation is not so favourable in respect to commodities not subject to clearly defined grades impartially enforced. Most livestock is sold alive on the basis of



appearance on the hoof. The producer who infrequently enters the market is not in a position to deal effectively with experienced buyers regularly employed in that capacity. Farmers are frequently charged with indifference to quality production. The charge may be true in some cases. In others, indifference may be due to an insufficient price differential on quality products or unstable prices, both of which tend to destroy the farmers confidence in the marketing system.

Considering the circumstances under which primary products are marketed, it would appear reasonable and logical to conclude that producers do not usually receive as much as buyers would be prepared to pay for the whole quantity on the market if keener competition prevailed. It is frequently alleged that buyers tacitly agree on prices among themselves or follow the lead of the "big fellow" in the trade. Middlemen are primarily interested in margins; competition among them which we might expect would determine prices to the producer is neither perfect nor vigorous.

The Effect of Price Changes and the Expansion of Middleman Functions on the Share of the Consumers' Dollar Received by Primary Producers: All the services included in buying, selling, processing, storing, financing and transporting products from the producer to the consumer are middleman functions. A number of these functions formerly performed on the farm, or in the consumer's kitchen, are now performed by marketing agencies. Vegetables cleaned



and packaged; ready-to-cook and cooked poultry and other meats; cake mixes; enriched flour; frozen pre-cooked dinners, etcetera, are examples of the change which is taking place.

These developments might be expected to step up efficiency through centralization of operations, increased division of labour and job specialization. But the trend is not without disadvantage to the primary producer. All types of marketing charges tend to become comparatively inflexible.

At the outset the incidence of the cost of new services is open to question because rising prices (usually present in periods of expansion) are an obscuring factor. But we do suggest that, on a falling market, added services will tend to remain and that costs incurred will be shifted in greater degree to the producer.

The Effect of Maintaining Price Stability at the Retail Level: The maintenance of price stability is generally an advantage to trade, especially in the case of a product that can be substituted easily. Price stability under conditions of variable supply may be a disadvantage to the producer. This is indicated in respect to honey. Honey is sold in competition with jams, jellies, peanut butter, etcetera, all of which are potential substitute products, but for which the overall demand is relatively inelastic. The annual consumption of honey in Canada is about 2 pounds per capita. Apparently few Canadians use honey regularly; many more



are occasional purchasers. All concerned with the marketing of this product accept the conclusion that fluctuations in price at the retail level would reduce sales. The disadvantages involved all reflect back to the producer. He is denied an increase in price normally associated with short supplies on the market in poor crop years. However, when production is above average, he cannot shift the burden of carrying the surplus. Under the circumstances, marketing margins tend to become very rigid. The incidence of marketing costs such as advertising falls largely on the producer because middlemen do not gain by increasing the sale of honey at the expense of competing spreads.

Non-Productive Competitive Advertising:

The practice of advertising commodities, brands and services on national and local levels continues to expand. Much of present day advertising is non-productive but charged as a cost in the movement of products from the producer to the consumer. We suggest that this Commission should examine the need for and the incidence of advertising costs relative to the marketing of food in Canada.

Livestock: Producers of livestock feel at a disadvantage in marketing their products. There are several reasons why suspicions of unnecessary price spreads should develop in this field. We shall enumerate those we consider to be the most important.

1. The meat packing industry provides the most important middleman functions in connection with the marketing of livestock. Efficiency in the packing industry is associated with large-scale



operations, with the result that the bulk of meat processing operations have come to be in the hands of a few concerns. Rightly or wrongly, the farmer feels the near-monopoly position of the packer is used against him.

2. Prices paid for livestock fluctuate, sometimes unexpectedly and without adequate explanation. Concurrent fluctuations in the price of the finished products to consumers do not take place to the same degree on a rising or falling market. The middle-men concerned are quick to take advantage of a rising market, but protect their margins when prices are falling. The farmer is especially concerned with the fact that the maintenance of prices at the retail level in a declining economy unduly restricts consumption and further depressing prices at the producer level.

3. Some progress has been made in relating grades of livestock marketed and meat products. But much remains to be done. The farmer feels that grades for livestock are established for the purpose of making token differential payments to him and that these grades lose their identity in the packing plant. The fact that the differential paid for quality hogs is fixed, adds weight to this contention. The farmer feels that he will not be fully compensated for producing quality livestock until the grades on which the packer buys the primary product are carried through to the retail meat counter.



4. The relative prices paid for steers and heifers is a constant cause of irritation to cattlemen. Producers believe heifers finished as yearlings yield carcasses nearly comparable to steers of similar weights. However, only when slaughter cattle on the market are scarce are prices for steers and heifers of this age comparable. With beef cattle in good supply, yearling heifers may sell at substantial discounts below steers.

Mr. Chairman, for the last two or three years in the Fall of the year heifer calfs have been selling for from three to four cents less than steer calves. That is about the spread, from three to four cents, and our farmers are wondering why there should be this spread, and they asked us to include this in our report. In reading on, we will give an explanation of why there should be a spread in cattle over a certain weight.

Variable price differentials of this kind lead farmers to feel they are being taken advantage of as the situation permits. A heavier discount on heifers over 700 pounds as compared to steers is accepted because of circumstances understood by farmers (lower dressing percentage, lesser proportion of high prices cuts, possible pregnancy) although, in this case too, constantly changing price relationships result in the suspicion that unwarranted discounts are frequently in effect to the disadvantage of the primary producer.

5. Packers have vigorously developed the



direct shipping of livestock to plants. Such a practice, it is believed, tends to reduce prices to the producer, especially when the market is slow or draggy. Why then do not more farmers deliver livestock to public stockyards for sale by auction? First, the development of livestock trading facilities on the part of packers, including outlying stations and country buying, has made direct selling the most convenient method afforded farmers for stock disposal. The development of transport by truck has been a strong contributing factor in the movement towards direct selling. The packers have taken advantage of the situation by making deals with truckers for the delivery of livestock to them. Thus truckers have become agents of the packers. The sale of hogs by weight and grade on the rail also tends to favour direct selling. Lastly, having obtained the bulk of the livestock needed by direct dealing, packers are in a position to wield some measure of control over prices at public stockyards.

6. It is suggested that the economics of the whole livestock marketing situation might be examined in detail by the Commission. A full account of findings would lead toward the correction of abuses inherent in the methods of livestock selling presently in effect and promote better understanding among the parties involved.

Regional Variations in Prices Paid for Primary Products Suggest Discrimination: The situation in respect to the supply and disposition of



eggs and dairy products in the Peace River area suggest that prices for these commodities should be above the provincial average. However, farmers in that region receive consistently lower prices than obtain elsewhere in the province.

Eggs: The Peace River region and surrounding areas do not produce sufficient eggs to meet local requirements. Regular shipments of eggs go forward from Edmonton for distribution in the Peace River and surrounding areas. Under the circumstances, the price of eggs to northern producers would be expected to approximate the price received by producers at Edmonton, plus transportation charges to the area in which they are consumed. However, this does not appear to be the case. Comparative prices for the week ending March 22nd, 1958, are considered typical. Prices paid Edmonton producers for Grade "A" large eggs that week were 30 cents a dozen. In the Peace River region prices offered for eggs of the same grade and size varied from 29 to 32 cents, some 3 to 6 cents a dozen below the price it is estimated the producer should have received. Only one course is open to the producer who wishes to avoid this discrimination, i.e., make direct contact with the consumer. As might be expected, the incidence of producer-to-consumer egg sales is reported to be high in the north.

Creamery Butter: In Alberta Census Division 15 (Peace River) the population in 1956 was 70,417. Based on per capita consumption of butter in Canada



this number of people require approximately 1,400,000 pounds of butter annually. However, in 1956 only one-half the amount needed (708,514 pounds) came from local butter factories. Since it is noted that farm butter-making is no more prevalent in the Peace than elsewhere, it follows that considerable quantities of butter must be imported. In view of the fact that the areas west (Peace River Block) and north (North West Territories) are less self-sufficient in butter than Census Division 15, we must conclude that the additional quantities of butter required come from the Edmonton region.

This situation is not reflected in prices paid for butterfat at creameries in the Peace River district. In December 1957, Peace River farmers received 56 and 57 cents for butterfat, special grade, while at Edmonton the price was 59 to 60 cents a pound. These prices are reported to be typical. It would appear that the price of butterfat at creameries in the north is based on the factory price of butter at Edmonton less freight to the Peace River. However, as we have demonstrated, the movement of butter is the reverse. Moreover, as might be expected, the average price of butter at factory in the Peace River in 1956 varied from 59 to 60 cents a pound compared with approximately 57 cents for Alberta as a whole.

Milk: In 1957, the estimated average farm price paid for fluid milk in Alberta was \$4.55 per hundred pounds. On the other hand, milk purchased for cheesemaking and "other manufacture",



ice cream and so on, paid the farmer \$2.46 and \$2.61 respectively.

The producer of milk for the fluid market must deliver a high quality product and maintain supplies (quotas) throughout the year. However, he has an assured market at prices not subject to short-time fluctuations. The producer of milk for cheesemaking and manufacture operates on a less secure basis. For the most part, the enterprise uses family labour in dairying as a means of intensifying farm operations and increasing income. It is doubtful if operations could continue on a commercial basis using hired labour at current rates.

We suggest that prices received by the producer of milk used in cheesemaking and other manufacture, are too low relative to costs of production and prices paid for milk sold in the fluid trade.

In presenting this brief we have attempted to indicate certain areas related to price spreads between the producers and consumers of food, which, we believe, the Commission should further investigate. No attempt has been made to cover the whole field. The brief would appear to be concerned only with the specific problems which are the concern of the producer. However, as pointed out in the introduction, we are as equally concerned with the welfare of the consumer.

Mr. Chairman, this brief is respectfully submitted by myself on behalf of the Government of the Province of Alberta.



THE CHAIRMAN: Thank you Mr. Halmrast. Your submission has been received as Exhibit 11.

EXHIBIT NO. 11: Brief of the Province of Alberta.

We appreciate the information which is contained in your brief, Mr. Halmrast. May I ask, if as we proceed with our inquiries, there is further information relating to these matters, would we have your permission to consult your officials?

MR. HALMRAST: Yes.

THE CHAIRMAN: You have referred to the fact that the Commission will have some staff of its own to pursue its own studies, and I can assure you that we will be looking at the several matters which you have referred to in your brief, such things as the practices of the middleman, the grading of products, changes in the functions between wholesaler and retailer and consumer, and so on, the problem of advertising. You have dealt with fluctuations in prices which are even understandable to the producer, and we will be taking a look at that matter too. Unquestionably, this question of direct shipping of livestock and sales through livestock markets is another matter we will be looking into.

It is our practice to ask a few questions, and you have been kind enough to say if the Commissioners have any questions we may ask them. I see you have Mr. Putman, the Deputy Minister with you, and Mr. English who I believe is the statistician in your department. These two gentlemen are known



to us, and if you wish to bring them into the questioning we would be quite happy to have you do that.

There was one point I hoped we might have a chance to ask you about. You may have seen from press reports on our hearings in Vancouver that we had representations on the question of Marketing Boards. It would be helpful to us, I think, if you would care to put on the record for us the nature of the legislation of these questions in Alberta. I understand there is one Marketing Board in operation, and if you would care to say something about your experience or the experiences with that Board we would be glad to hear it.

MR. HALMRAST: Yes, Mr. Chairman.

Members of the Commission, in 1955, marketing legislation was brought down in the Legislature enabling legislation that would enable producer groups to set up marketing boards for all our primary products. Ours is probably unique in that we excluded livestock from this Act because of a representation that had been made to us from the farmers and ranchers throughout the province. Some of these farmers did not object to some of these agricultural products being included in the Bill, but they were opposed to cattle and sheep -- not hogs, hogs are in the bill. They felt they could do as well, if not better, in the market in respect to cattle and sheep, and we did exclude those two from the bill. But it does include other agricultural products. This bill was brought down in 1955. We recently held a plebiscite in respect to our Marketing Board, and they did not have sufficient majority to set up



an egg marketing board, because under our legislation we would require that we a favourable vote by 51 per cent of the registered producers. Now, I believe in some other provinces they have 66-2/3rds per cent of those who vote, but I know that in Ontario in their plebiscite on a Wheat Board that they use the same basis we use here, 51 per cent of the registered producers, and so the first plebiscite then indicated that there was not sufficient support for an egg marketing board. Perhaps I should hasten to add that I know there will be some representatives from some farm organizations here to say that the enumeration was not carried out properly. I think some blame could be laid to some enumerators in some areasⁱⁿ/that they failed to go to every farm. Nevertheless, they lacked a majority of 51 per cent, and then there was a rather unique situation indicated by this plebiscite in that 10,000 farmers didn't indicate anything at all, they didn't go out and vote, and, of course, under our bill a negative vote was the same as a vote opposing the marketing board.

So we have granted another plebiscite to our farmers and it will be held some time this year and they will have another opportunity then to see what support they can get from our producers with respect to eggs.

As you have indicated, we had a request from the vegetable producers in the irrigated areas to set up a board there. This affected only a small



number of persons, and we carried on the plebiscite very quickly and efficiently and we set up three polls, and the producers came there and cast their ballots. But first of all we had registered them, we knew how many producers we had that qualified as producers of vegetables. We required 51 per cent of those, and we got that majority; in fact, they got more than that, pretty close to 70 per cent. So they went well over the 51 per cent. Now, they are negotiating at the present time, and they had two meetings, I believe, and they haven't come to an agreement yet as to what price the producer should receive for vegetables, but I understand they are meeting again today, and we hope they can come to terms, the time is coming on; they must be getting their seed for planting and doing all the other things for setting the machinery in motion for the Spring planting. So we hope that in meeting today they will resolve their differences as to a price and carry on.

We have had indicated to us one or two other groups who may be interested in marketing boards for certain products. I know some of the seed men indicated that they might put in a request for a marketing board for small seeds.

So we have one marketing board operating in the province at the present time.

THE CHAIRMAN: Thank you very much. When you refer to registered producers with respect to the egg plebiscite, this is the same as enumerated.



MR. HALMRAST: Yes -- not quite the same, sir. When they were enumerated we said this, that those who have 50 hens or more are automatically registered as producers, and we thought to have a better coverage of our producers that those who had less than 50 hens but more than 20 could voluntarily register as producers, and so we brought that group in by voluntary registration, and when the enumerator went around and made inquiries as to how many hens a farmer had, if he said he had 50 or 100 he was automatically put down as a registered producer and entitled to vote, and if he had less than 50 and more than 20 he left a form with him to fill out, and that had to be mailed in because sometimes probably the farmer sticking the enumerator didn't know how many hens he had on the farm, he probably had to communicate with his wife, there would be some delay. So that was left with him. We didn't want to leave any out, and so we asked that those with 50 hens or more are classed as a registered producer.

Those, of course, with less than 20, though they are producing some eggs, they cannot be really classed as commercial producers, so they were eliminated.

I might add that we are calling our Advisory Committee in very shortly to discuss this egg marketing plebiscite again, and they may want to recommend some changes. Personally, I wonder if there is any advantage in including



those from 20 to 50 hens. I think maybe it would work out much better if we stayed with the 50 or more hens as registered producers, but that will be up to the committee to discuss and recommend.

THE CHAIRMAN: Your regulations require, as I understand it, 51 per cent of the registered voting in favour of the implementation of the plan?

HON. MR. HALMRAST: Yes, for if they do not come to vote then they are out.

THE CHAIRMAN: You have no regulation which refers to the production, either the total production or total flocks just the number?

HON. MR. HALMRAST: Yes, just the 51 per cent of the registered producers.

THE CHAIRMAN: In the case of the vegetable ^{it} producers is ^{it} an agency of the producer which acts as the bargaining agency? Do they belong to a co-operative, or how do they negotiate?

HON. MR. HALMRAST: Yes, I should have said this, Mr. Chairman, that when we have a request for a marketing board and this request has been approved by the Government, we then set up a provisional board of five men who are producers, and they will then carry on until such time as the producers themselves elect a board and this provisional board may carry on for two years, and then after that they must have an elected board.

So in the case of the Vegetable Marketing Board itself, we appointed five producers of Vegetables to sit on this board, and they are the



negotiating board with the processors. The first time they met them, they indicated to the processors what they thought the producers should receive for various vegetables, corn, peas and beans and so on. Apparently they were in agreement on some, and not on one or two of the others so that is where the difference lies right now. This provisional board will negotiate for them and they are acting pretty well as a negotiating committee so far as vegetables are concerned.

If an Egg Marketing Board is set up, you see, they will be all producers. They will be in the business, as it were, and carry on in that way. These provisional boards under the Act have power given to them to fix prices, you see, and that is what they have done now. They indicate to the processors we want so much for a hundred pounds of peas, so much for a hundred pounds of beans, so much for a hundred pounds of corn, and they are given authority under the Act to fix the prices for those agricultural products.

Of course, any other board would also have the authority to do the same thing. They are given quite a lot of authority under the Act to do a number of things.

Our Act is based pretty much on the same basis as some of the other Acts are, that are in operation in Canada except that we do have this 51 per cent, as I say. Ontario used that in their Wheat Board, but in some of the other boards, they



have used 66-2/3rd per cent of those who came in to vote.

THE CHAIRMAN: This price that is negotiated, it then becomes a sort of contract price?

HON. MR. HALMRAST: That is right, a contract price. When the price is agreed upon then the processors will go out and sign a contract with the producers.

THE CHAIRMAN: Do the contracts cover quantity as well as price?

HON. MR. HALMRAS : Yes, Mr. Chairman. What we have stated in this particular plan is that a registered producer is one having one-half acre or more planted into vegetables and that he held a contract with the companies last year so he was a contract holder. That is the basis by which we qualify the registered producers.

THE CHAIRMAN: Thank you Mr. Halmrast. I will see whether my colleagues have some questions they are going to ask.

Mrs. Walton?

COMMISSIONER WALTON: I was just wondering, Mr. Halmrast, do you not have a provincial Milk Board in Alberta?

HON. MR. HALMRAS' : No, we do not have a provincial Milk Board. The price of milk is set here by the Board of Public Utilities Commissioners and they set a price occasionally -- I do not know how often. Perhaps Mr. Putman could help me-- whenever there is a need for it or there is a



question arises that there should be an increase to the producer or if the consumer feels he is being sorely pressed and he thinks there should be a decrease, they get together. We do not have a Milk Board at present.

COMMISSIONER WALTON: Thank you.

The Public Utilities Commission looks after the milk and sets up the price for fluid milk and a price for milk that goes into other grades of cheese making or processing, does it?

HON. MR. HALMRAST: They set the price of the fluid milk and those milks that are not included in the quota then they are sold at a lesser price, as I indicated here, just about half I think it would be. Mr. Putman, do they set the price on other milks?

MR. PUTMAN: They do not set the price in all areas of the province.

HON. MR. HALMRAST: There are only certain areas of the province where they do set the price; for instance around Edmonton, in Lethbridge and one or two other places. There are some areas they do not set prices. The producer sells the milk for whatever price he can get for it.

COMMISSIONER DRUMMOND: With respect to the prices which you have just mentioned, Mr. Halmrast, in connection with milk, there is no attempt so far to make any use of the formula when you attempt to change from one price to another or from one period to another. In one or two other



provinces they have adopted this formula or plan.
You have not done that.

HON. MR. HALMRAST: No.

MR. PUTMAN: We have not, Mr. Chairman,
no. There is no formula used in this province.
When an appeal is made for a change in the price of
milk by the consumer or by the producer they can ask
for a hearing. If the Board agrees to the hearing,
data for it is gathered through our Dairy Farm Studies;
a study we have been associated with since about
1933, I think, and they have a number of producers
whose records they keep and they can estimate whether
or not the cost of producing milk has gone up or
down, present that information to the Commission
and they make the decision.

COMMISSIONER DRUMMOND: Which is a way
of saying your cost data is your major indicator
as to the extent that the price should be changed.

HON. MR. HALMRAST: Yes. I might say
that the farm cost study, we do that under our de-
partment and the information that they gain by
going directly to the producer and sitting down
with him and ascertaining what it does cost for
that farmer to produce milk. They will go over
a particular area, and they will submit the price
to the Board of Public Utilities Commissioners
and say this is the price the producer must receive
in order to have a fair margin of profit so we do
this work for them.

COMMISSIONER DRUMMOND: Also in respect



to your prices you set on the Vegetable Board, which has been created, you fixed the price there through negotiation. Is that a fixed minimum or does that become the actual price?

MR. HALMRAST: It will become the actual price for that product for that year. Like in the case of the vegetables, they will set the price for this crop year and then the whole matter would have to be regulated again another year as a new crop comes in because there may be certain changes and so on and so it would be the price for this particular crop year.

Having agreed on that price, the processors then will go out and sign contracts with these producers for that price for that particular year, subject to change.

COMMISSIONER DRUMMOND: The plan, of course, is to fix these prices well in advance of the actual production.

HON. MR. HALMRAST: Yes.

COMMISSIONER DRUMMOND: What I was thinking of was this; in the actual experience with production costs, if your supply were to be much lower than expected it might, through the operation of supply and demand, in the ordinary course of events, suggest a price or cause a price to be higher than the so-called advanced fixed price.

HON. MR. HALMRAST: Yes.

THE CHAIRMAN: I just wonder if there were any number --



HON. MR. HALMRAST: No, Mr. Chairman, I don't believe there will be any more than there is with the Wheat Board price for wheat. You see we have a set price and so we might have a dry year or frost at the end or our crop could be cut in half, could be wiped out altogether, as it was in the Peace River area lost their crop almost entirely through frost. No differential there to have any increase because of their lack of profit other than the Prairie Farmers Assistance Act comes into force, does compensate them for their loss.

COMMISSIONER DRUMMOND: You mentioned in your brief in your opinion the price that is paid for milk for cheese making and for other manufacturing is too low in respect, in comparison for the price spread for the food?

MR. HALMRAST: Yes.

COMMISSIONER DRUMMOND: I was wondering, purely as a matter of information, the extent to which cheese is made in the province now, and in what areas and also the scale of the cheese factories; wondering if the scale on which the cheese is made has something to do with the price which they offer for cheese?

MR. HALMRAST: Well we have quite a number of cheese factories in Alberta. I haven't got that information now. Do you recall how many we have? Was it 18?

MR. PUTMAN: About 16 cheese factories.

MR. HALMRAST: Around 16 or 18 cheese



factories. They are situated some of them right around Edmonton. There was one down Millett and wasn't there one at Stettler, and then we have one down in the Cardston area. I recall they sent me up a very nice cheese from Cardston and so they did, as a matter of fact, from Edmonton. I don't think we have anything north of Edmonton.

There is one farmer down in the Eastern irrigation district. He has come over from Holland. He was a cheese maker over there and he is making cheese now on his farm in the Brooks area, and sent me in a very fine sample of cheese, and he is selling everything that he can produce, just a local thing but he is doing a very excellent job. Apparently he is getting quite a name so some day he will probably expand into a cheese factory. So we have these 16 or so cheese factories operating today, and as I indicate in my brief they pay the lower price for the milk they use for that. I presume if they had to meet the other price for the fluid milk it would up the cheese to that extent, and so that the farmer, or the dairy man that has a quota on milk he is getting a fair price for that, and then anything over the quota of course he has to take -- I believe some of that goes into this particular trade.

COMMISSIONER DRUMMOND: Are most of your cheese factories, are they equipped to produce other dairy products as well, or are they distinctly cheese?



HON. MR. HALMRAST: Just cheese.

COMMISSIONER DRUMMOND: Has it been a definite tendency to expand cheese production in recent years?

MR. PUTMAN: There has been a decline.

COMMISSIONER DRUMMOND: Early in your brief you mention one thing, I am just a little curious about, you say that great control over the supply of farm supplies moving to market would be necessary to provide maximum income to farmers, which are difficult to obtain. I just wondered about that phrase "maximum income". Whether you meant by that what we call a supply and demand price, the price that would result from the proper play of supply and demand or whether you were thinking of a price something above that?

HON. MR. HALMRAST: We were thinking of the profit above the cost of production. I think that is more what we had in mind.

COMMISSIONER MacKICHAN: Is there provision in the Act setting up the Board, or the regulations under the Act for repeal plebiscite?

HON. MR. HALMRAST: For marketing boards?

COMMISSIONER MacKICHA: For marketing boards.

HON. MR. HALMRAST: Yes, that is in the Act, and if they can get 10 per cent of the producers to sign a petition calling for another plebiscite, then another plebiscite will be held, and then in order to repeal the Act we will have the plebiscite



and they require 51 per cent of the registered producers to put the Marketing Board out again. That is in the Act itself.

COMMISSIONER MacKICHA : The same as required at the institution of the Board?

MR. HALMRAST: Yes, that is right.

COMMISSIONER MacKICHA : Thank you very much. That clears up a point that has come up.

COMMISSIONER DRUMMOND: There is one other question, again purely for information, you mention most livestock is sold alive, buys at least on the hoof. I was just curious to know the extent to which you sell subject to rail grading, that is distinct from the selling alive?

MR. HALMRAST: Not very much with respect to cattle. There is some rail grading being done with cattle now. Not very much. As a matter of fact, some of our producers are thinking that we should have more of it, and that they would then be paid on the basis of grade, but most of our cattle are sold on the hoof. For instance, in the southern part of the province where I have a farm and ranch, we have community auction sales, and thousands of head are sold there by auction at a pretty fair price.

We exported over 300,000 head of cattle from Alberta last year. It was rather interesting to break these figures down. 109,000 of them went direct to the States; 108,000 went to British Columbia and probably ultimately some of them



would go down across the line. Other provinces got some of our Alberta cattle and even Quebec got a portion of them, and Nova Scotia I note got 45 of them.

The rancher was in to see me one day to talk to me about some other matters and I indicated the breakdown of these figures on our Alberta cattle exported, and the great demand for them because of their very high quality. I thought I might put that in, so I said even 45 of them went to Nova Scotia. Well yes he said, those 45 calves he said went from our Walsh community auction sale. At Medicine Hat the farmers all banded together there and put on a big community sale of cattle, and usually sell several carloads of them, and he said 45 of them were purchased by a Nova Scotia buyer right there, although there should have been 90 head because he said he bought 45 head of two-year olds too. I said probably they didn't reach Nova Scotia but the calves did.

MR. PUTMAN: If I remember correctly, in 1956 there were 44,000 head of cattle in Canada ~~exported~~. I don't have the figure for this province now. Rail grading has been going up through the years.

COMMISSIONER DRUMMOND: Would the same apply to hogs?

MR. PUTMAN: Hogs are rail graded.

COMMISSIONER DRUMMOND: Entirely?

MR. PUTMAN: Yes.



COMMISSIONER DRUMMOND: This reference here was only to cattle?

MR. PUTMAN: Yes.

THE CHAIRMAN: Mrs. Walton has one more question. Ladies are always entitled to ask one more question after the gentlemen. How many buyers are there in the vegetable growing area?

MR. HALMRAST: We have three processing plants, Broder's and Cornwall and then there is Dyson's, they are manufacturers of pickles, of course, and so there are a lot of cucumbers grown in the irrigation areas. We think these have pretty well controlled the processing of vegetables in the irrigation areas.

THE CHAIRMAN: Have they any alternative source of supply, other than production of the registered producer?

MR. HALMRAST: Yes, Broder's for instance produce quite a large acreage themselves. I just don't know at the moment how many acres they have, but they have a large acreage in vegetables, and of course their main source is right here in Alberta. I suppose one might wonder what would happen if they don't come to an agreement, whether they could bring vegetables in from somewhere else, but they do prefer to get them right here and their main source has been Alberta up to now.

COMMISSIONER WALTON: May I ask on your



legislation in 1955, you said it covered cattle and sheep?

MR. HALMRAST: It excluded cattle and sheep.

COMMISSIONER WALTON: It excluded cattle and sheep, but it covered hogs?

HON. MR. HALMRAST: That is right.

COMMISSIONER WALTON: On page 6 of your brief, number three, would I be correct that the implication is there that there is dis-satisfaction on the part of hog producers? That they feel that the present grading system of A and B is not carried through to the consumer. Are they dissatisfied with that?

HON. MR. HALMRAST: They feel it is, Mrs. Walton, in order to produce the high quality hogs that they are asked to produce, that the payment is not quite sufficient to do that. You see, they are getting \$2 for grade A's, \$2 on the hog, so if they have a grade A hog they get an extra \$2-bonus for producing a grade A hog, and so we find that many of our farmers -- we are not proud of our hogs as a matter of fact, that is the quality of our hogs, and we find that too many of our farmers have a lot of grain in store, and they find it more profitable, in view of the fact that they don't get a sufficient recognition for their quality hogs, to just feed them grain and fatten them up and get them on the market in a hurry rather than produce high quality hogs, and so we refer to that here, that some of



our producers feel that when these animals are graded B and C, and so on, that probably when they got on to the block they might be something else, and they are not getting -- some of their B's might be A's on the block. There is a suspicion on the part of some of our producers that that takes place. They are being paid for a B hog, and probably goes on the block as first quality meat, and so some of them are a little bit suspicious about that.

COMMISSIONER WALTON: And that might also imply that another type can be developed because I believe, am I correct, that both in the United States and Canada there seems to be a consumer preference for a leaner type of bacon?

HON. MR. HALMRAST: Yes.

COMMISSIONER WALTON: And there has not been sufficient incentive to the hog producers in the way of a premium to get them to develop that type of hog?

HON. MR. HALMRAST: That is right. You see, your Yorkshire hog is your bacon type, and we have encouraged farmers to produce a high quality hog, and some are doing it. As a matter of fact, it is indicated here. Some say it just wouldn't pay them to do it. They just fatten the hogs, just plain hogs, and get them on the market as quickly as possible and get what profits they can from them. It is a way of using up their surplus grain.

COMMISSIONER WALTON: Thank you very much



Mr. Halmrast.

COMMISSIONER COUVRETTE: In the early part of your brief you refer very often to middleman overcharges. Does that imply that there are too many functions performed, and that on those reductions of middleman charges that might be expected to be made?

HON. MR. HALMRAST: What we refer to here as middleman is for instance, that on the livestock, he has the livestock buyer that comes out and buys from the producer, and it is felt, some of our producers feel that in some cases he is getting probably a little more than he should acting as the middleman. For instance, I have had many farmers come to me and say that when a buyer comes out to the country to buy from him he is better qualified to judge the weight of the animal than he is, and so on, and they pay them on the hoof right on the farm, and he will pay them a certain price for the animal, and try to judge the weight and so on, and so they sometimes feel that he is getting a little more than his share acting as a middleman and detracting from what the producer should receive, and because of that there has been a tendency today to sell more of our livestock by auction, and that has taken place in all these community auction sales we have in the province today, and also in our livestock yards as well.

There is an auction sale carried on there



at the major livestock yards, so the producer there then feels he has a little better chance of getting what the animal is worth, and even there there is competition. We as producers get rather suspicious if we don't get a fair price for animals, they do get together there, but we feel with the auction sales there is a little better opportunity of getting a fair price than the other way.

The middlemen are used, of course, with respect to all agricultural products, but there has been a feeling among some that their charge is probably a little greater than it might be. They don't know how to get at it to determine it. I have heard farmers say, "This man is making more out of animals and he doesn't raise them. I have spent a year raising them". So we are hoping that something may come out of all these studies you are going to make which might help indicate what it may be.

COMMISSIONER WALTON: Do you have any idea what the percentage may be of auction as against the Drover, buying cattle? Is it still done by this more convenient method where a buyer goes? Is the bulk of the cattle bought that way?

HON. MR. HALMRAST: Not so much as a few years ago. A lot of cattle are sold by auction and the auctioneer gets a percentage of the sales. You don't hear the farmers complain too much about that. It is somewhere around 2 per cent or 3 per cent of the sales, but you don't hear the



farmer complain so much about that as against selling to a buyer. In this brief we have referred to buying stations we have around Edmonton here where they are picking up the cattle and coming in. I am not going to say too much about that, because if they are not being dealt with fairly, they don't think they are not getting enough, then they shouldn't bring them in. But the farmer is free to sell them wherever he likes.

THE CHAIRMAN: May we thank you again very much, Mr. Halmrast. We are particularly grateful to you for saying that if we run into the need for more information we can come back to you.

We will recess for about 10 minutes.

--- Recess.

--- Upon resuming.

THE CHAIRMAN: Come to order. We will receive the brief from the Farmers' Union of Alberta. This will be Exhibit 12.

EXHIBIT NO. 12: Submission of The
Farmers' Union of
Alberta.



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THE CHAIRMAN: Mr. Platt, you are the president of the Farmers' Union of Alberta.

MR. PLATT: Yes.

THE CHAIRMAN: And have been for how long?

MR. PLATT: This will be my third term, sir.

THE CHAIRMAN: And you have associated with you Mrs. C.T. Armstrong, who is the President of the F.W.U.A.?

MR. PLATT: Yes.

THE CHAIRMAN: We are happy to have her participate in the discussion if she would like to do that.

Would you like to read your brief now?

MR. PLATT: Thank you.

The Farmers' Union of Alberta appreciates the opportunity to present to this Commission the views of its membership in regard to price spreads of food products. Our organization represents some 40,000 farm men and women in this province. We hope that our views on this important matter of price spreads will be of value to you in the study you are undertaking. We are appreciative of the work you are doing and feel that your deliberations will be of great benefit to both the producer and consumer of food products.

During the summer months we expect that the local organizations of the Farmers' Union, all over this province, will be studying this matter of price spreads in a systematic manner. We hope that



we may have the opportunity to present these findings to you at your Fall sittings.

What the Farmer Thinks: The spread in price between what the producer gets for his product and what the consumer pays for it in the retail store has been a matter of grave concern to Alberta farmers for a long time. It has become of special concern at the present time. Costs of producing agricultural products have risen sharply during the past few years, and the price received for them has gone down at the same time. This has resulted in a very substantial drop in net farm income. During this period of economic depression on the farm front it has been noted that the price of food products at the retail level has remained essentially unchanged. It is no wonder, therefore, that the farmer regards this constantly increasing spread as of grave concern to his future economic well being.

There are a number of phases of this whole problem that are frequently talked about when farm people get together. They can be summarized as follows.

1. That there must be a general lack of efficiency in the food processing and distributing agency. To quite an extent the food processing and distributing agencies have been going through the same technological revolution that has been going on in the production field itself. In the processing field it appears that no economies are being realized from all these technological improvements,



and that in fact, the spread between producer and consumer is widening. All the advantages of labour-saving machinery, new methods of distribution, new methods of packaging, etcetera, appear to be eaten up by increased costs somewhere along the line, or by a general lack of efficiency in the industry.

3. The producer is gravely concerned as to whether or not grades at which produce is purchased remain the same when it reaches the retail outlet. He feels that there are too many "C" grade hogs making "A" grade bacon.

3. The producer is generally convinced that the processor takes advantage of storage situations. During periods of surplus production a great deal of farm produce goes into storage. These products go in at the lowest price of the year and usually come out at the highest price of the year.

4. The farmer is concerned that there appears in many cases to be little relationship between the producer price and the retail price. Generally speaking the price to the producer fluctuates much more widely than does the retail price.

5. Farm people are greatly concerned that the high mark-up results in high food prices and reduced consumption. This in turn adds to the surplus of available food, with a still further lowering of price to the producer.

6. The farmer is convinced that the



consumer doesn't realize the small amount that goes to the producer. He feels that rising costs of marketing food products have effectively masked the disastrous slump in agricultural prices that have occurred.

Nature of Your Studies and Report: We hope that your investigation will provide factual answers to the above and other problems, and that these will be presented in your report in a form so that all people - both farmer and consumer - may fully understand what the situation actually is.

Lack of Efficiency in Processing and Distributing: As stated earlier farmers fear that there may be a lack of efficiency in processing and distributing food products. Certainly costs continue to increase and a larger and larger part of the consumers' dollar fails to get back to the producer. It is frequently brought to the public's attention that many of our large processors and distributors have a very small margin of profit. We would point out that the margin of profit is not necessarily a measure of efficiency. In fact low profits may well indicate a high degree of inefficiency. We would like to draw to your attention the work of Medland and Hichman, (Medland, S.M., and Hichman, W.R. An economic study of the wholesale marketing of eggs in British Columbia, Extension Department, University of British Columbia, 1949) who studied the wholesale marketing of eggs in British Columbia in 1949. In summarizing their findings they say: "It is



apparent that many firms are operating at much lower costs than others. To the low cost firms, the wholesale spread of \$2.10 per case was more than adequate to cover costs. Many of the less efficient firms, however, were just able to stay in business with that margin. The cost analysis for a representative firm indicated that with ordinary attainable efficiency a firm operating at two-thirds of capacity should have been able to perform the wholesale service of egg marketing for about \$1.65 per case in 1949."

Since this study is some years old it may serve no useful purpose to examine in detail the reasons for these conclusions. The conclusion is, however, highly significant in our opinion. In the first place it indicates that in this particular circumstance farmers were paying 45 cents a case more for handling than was justified. Secondly, it indicates that competition between firms had little or no effect on handling costs. Handling firms with high cost did not raise their rates, nor did firms with low cost reduce theirs.

We would suggest that your Commission might well examine the relative efficiency of different firms in the processing and distribution of specific commodities, and also determine whether or not there is any evidence of a combine in fixing marketing costs.

Along the same line we would urge you, in your studies, to examine the cost of buying livestock,



and we would suggest that the Edmonton area would be a logical place to conduct this study.

At Edmonton a public stockyard is maintained, where cattle, hogs and sheep may be bought by the processors. Presumably, this should be the cheapest method of buying. However, we find that the processors maintain drovers who travel the country and buy from individual farmers, and also maintain a large number of so-called buying stations on the main highways leading into the city. We would like to know the cost of acquiring livestock by buying in the stockyards, by using drovers and by buying at buying stations. As it seems obvious that the latter two methods are more expensive, are these extra expenses recovered by paying the producer less when he sells by these methods, or are they taken care of by generally higher prices to the retailer? The percentage of cattle and hogs bought by each of these methods would be of interest, and if it is within your terms of reference we would like to have the Commission's opinion as to what effect, if any, these buying practices -- outside the stockyards -- have on prices received by producers at the stockyards.

In connection with the marketing of hogs we would like to know if the money used to bonus truckers to bring hogs direct to the plant is recovered by lower prices to the individual producer of the hogs so marketed, or if it is charged to obtaining business. If the latter is the case we



would appreciate the opinion of the Commission on the ethics of obtaining business in this way, and what the overall cost to the producer and/or the consumer is as a result of this practice.

Quality in Relation to Price Spreads:

There is general dissatisfaction with the grading of agricultural products. Whether or not this dissatisfaction is well founded we do not know. This is an aspect of the problem on which we hope to get more information to present to you before your hearings are concluded. Grading may, at first sight, appear to be outside the terms of reference of this Commission, but we feel that it is intimately associated with price spreads.

There are three general charges made about grading.

1. It is the opinion of many producers that grading is easy during periods of short supply, and severe when supplies are abundant. Some credence is given to this charge by the common practice in the stockyards of buyers sorting very closely in periods of ample deliveries, and much less so during periods when cattle are short. We recognize that sorting is not the same as grading but many producers feel that the same sort of thing goes on with products that are actually graded.

2. It is the opinion of some producers that the severity of grading is related to price, being more severe during periods of price advances. This opinion is well stated in a letter to the Calgary



Albertan, and published March 29, 1958. This letter is reproduced in Appendix 1.

3. It is charged that grades are not carried through to the consumer. Farmers feel that food products bought by the processor at a low grade are frequently sold to the consumer at a higher grade. Resolutions in regard to this have been brought forward to our annual conventions each year for at least the last five.

The farmer is concerned about these matters because, if true, they tend to mask real differences in price spreads. Furthermore, if essentially inferior products are offered to the consumer under top quality brands they will tend to lower consumption of that particular product.

We therefore recommend to you that this whole question be studied with a number of products. We would suggest particularly products that may deteriorate in handling, such as vegetables, eggs and butter, and products that are improved by trimming, etcetera, such as pork products.

Storage in Relation to Price Spreads: We would hope that in your investigations you would pay particular attention to this problem. Briefly the problem is that many of our food products must be placed in storage during periods of surplus production, and released during periods of deficit production. Because of the nature of the Canadian climate and the very nature of agricultural production in itself, it is inevitable that there will



be periods of surplus production and periods of deficit production. Because of the farmers' lack of bargaining power in the market place, periods of surplus production almost always result in lower prices, so that bulk of the crop or product is bought at the lowest price during the year.

While this problem affects many of our agricultural products grown in Canada, we have chosen as an example the type of thing that we are concerned about - the egg situation during 1957 here in Alberta. We feel sure that the same sort of thing can be duplicated across the country, and can be duplicated with many other products besides eggs.

In figure (1) -- which is attached to the back of the brief -- we have shown the price for eggs in Alberta by weeks, during the year 1957, to the producer. The comparable price to the consumer is also shown. A third line in the graph shows the Canadian storage position of eggs at comparable times during the year. You will note when you examine this figure that the price of eggs stayed on the floor level from the first of January until the latter part of June. During that time the price to the consumer remained relatively steady. You will note that during this period the number of eggs in storage was increasing very rapidly, reaching a very high figure at the time when the price of eggs to the producer began to rise. From late June until early November the price of eggs remained above the floor level. It rose rapidly from late



June until mid-July, remained at that figure for about a month and then slowly dropped off until by early November it was back on the floor, where it remained during the rest of the year. The price to the consumer rose as the price to the producer went up and more or less followed the general trend, although at a greater spread than what had occurred earlier in the year. The significant thing is that during the time that the price was rising and that the price to the consumer was the highest, stocks of eggs in storage were declining very rapidly, and by the time that the price had gone back down to the floor level to the producer the eggs in store had almost disappeared.

It is obvious that eggs bought during the first part of the year at the floor level, and placed in storage were sold to the consumer during the latter part of the year when the price to him was substantially higher than it was during the first half of the year.

It is realized that the processor who put the eggs in storage must receive compensation for his extra efforts. It would seem to us that the amount of gain actually received for placing these eggs in storage was out of line with the actual costs involved. In this particular case there was no risk involved. The price of eggs is guaranteed by the Government not to fall below a certain level so that the person putting them in storage did not need to fear a price decline. The only service



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that he performed was to provide the cold storage facilities and the handling that was required.

This sort of thing is typical of what is happening with a great many of our food products. We therefore suggest that this be investigated as fully as possible, not only insofar as eggs are concerned but insofar as other products that show similar trends. In this investigation we would suggest that even so-called perishables - such as pork and beef - be also investigated. There is no doubt that these products can be kept in cold storage for a reasonable length of time without any deterioration in quality. With the violent fluctuations that frequently occur in the livestock market it may well be that unnecessary spreads are being realized in these products as well.

Other Matters for Investigation: We recognize that the elaborate packaging of many food products must add appreciably to the cost of marketing. It would seem worth while to investigate whether or not this sort of thing is actually demanded by the consumer, or is it something that was being done originally to gain a competitive advantage. Would the consumer buy more if he could buy in bulk at a lesser cost? Has any retail establishment tried to merchandise, emphasizing bulk buy, with a minimum of packaging? We are also concerned with the cost of special services. Does the one cent a loaf charged for delivering bread to the householder in Edmonton cover the cost of this service, or is



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part of the cost recovered by charging the person who buys bread at the bakery or the grocery store an additional sum?

Conclusion: We have tried to point out some of the things the primary producers are concerned about in the matter of price spreads. We hope that these matters will receive consideration in the studies you are undertaking.

Before your hearings close we hope that we will be able to present concrete evidence in regard to some of these matters. Our limited resources have made it impossible to obtain this evidence at this time.

Respectfully submitted by myself on behalf of the Farmers' Union of Alberta.

THE CHAIRMAN: Thank you. We are particularly interested to know that you are planning to pass some of these problems to your member group for their study during the summer. I can assure you that we will be very grateful if you find it possible to supplement this brief. We appreciate you have not had too much for preparation of it. Perhaps you could supplement this with a later brief in the Fall?

You have referred to a number of problems which you hope that we will investigate and I think we already have in hand procedures for studies of most of the matters to which you have referred, particularly things like grading, packaging, storing and so on. We will be proceeding with our own



When Price Up Grade is Down

From Calgary Albertan, March 29, 1958.

Editor,
The Albertan.

I noticed a story in a recent issue of a farm paper about a farmer's returns from $32\frac{1}{2}$ dozen eggs, and would like to say that this is the situation facing all of the farmers in Alberta at the present time.

I have been religiously observing all the rules laid down by the produce houses for producing Grade A Large eggs, for example, gathering frequently, keeping cool, keeping the hens in until well into the afternoon, supplying plenty of clean water, litter, grit, etc., etc., but I cannot come out on top for as the price of eggs goes up the grades come down.

The Grade A Large price remains at 30 cents but the A Medium is 21 cents and the grading is done accordingly. For example, for a 30-dozen case I received:

A Large	11 doz. & 11 at 30¢
A Med.	10 doz. & 8 at 21¢
A Small	1 doz. & 1 at 18¢
B	2 doz. & 7 at 17¢
C	1 doz. & 1 at 12¢
Cracks	0 doz. & 6 at 10¢
Rejects	0 doz. & 2 at 0¢

Returns, with express at 50 cents, came to \$6.14, or slightly more than 20 cents a dozen.

The price rises to 27 cents for A Medium, and observe the grading:



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A Large	2 doz. &	0 at 30¢
A Med.	0 doz. &	11 at 27¢
A Small	0 doz. &	3 at 22¢
B	23 doz. &	9 at 17¢
C	1 doz. &	6 at 12¢
Cracks	1 doz. &	6 at 10¢
Rejects	0 doz. &	4 at 0¢

The returns, less express, \$4.75, or 16 cents a dozen.

The returns are not enough to feed the hens without buying egg-laying mash, supplement, oyster shell and every other expenditure needed to ensure the hens laying.

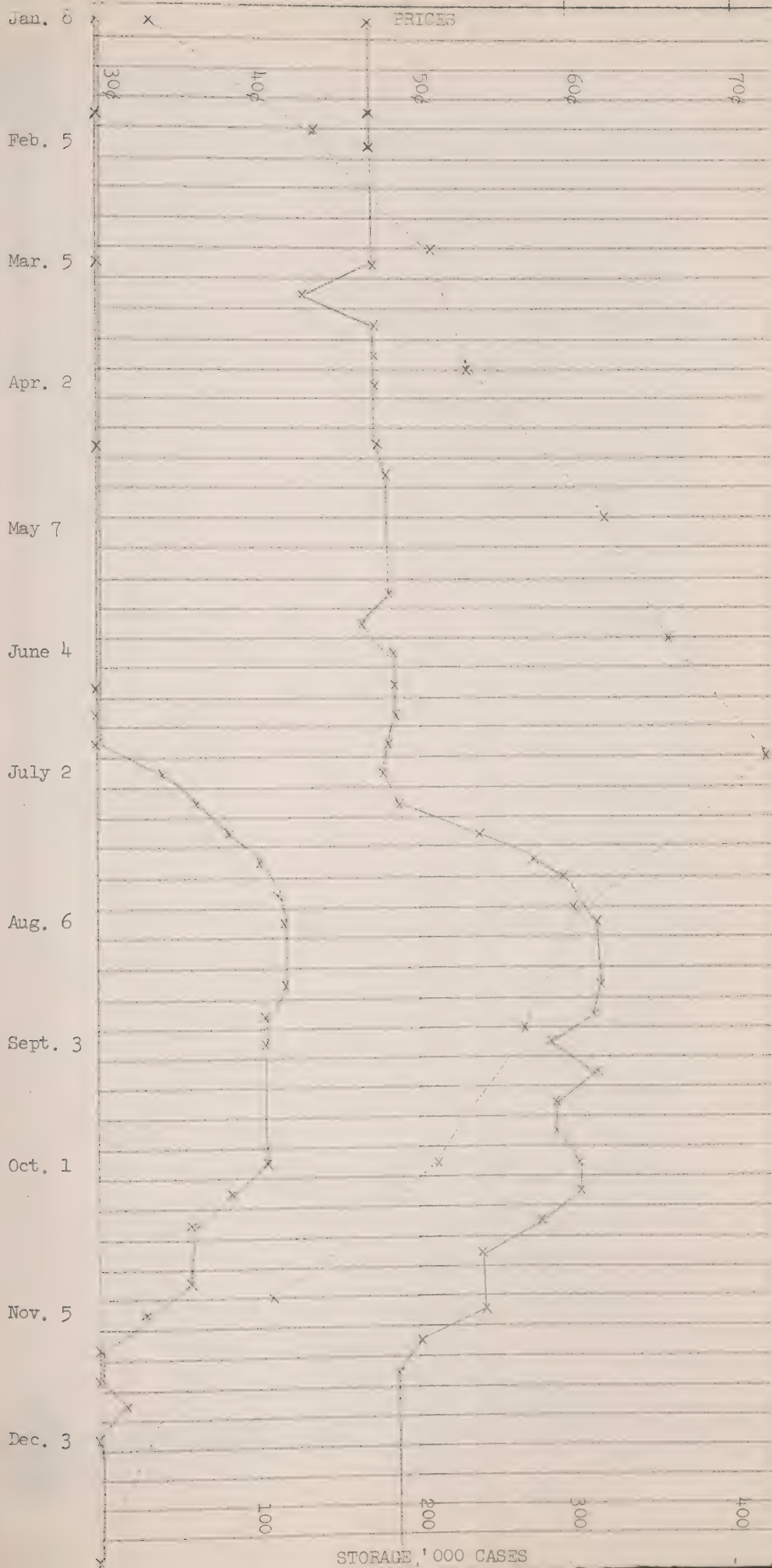
I do not know if an egg-marketing board is the answer to this problem, but most assuredly something should be done by some government. Maybe this is the time some party should promise something.

(Disgusted)

Strathmore, Alberta

Key:
Grade A Edmonton Consumer Price
Out of A Edmonton Production Price

1957



573-B



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studies during the Summertime.

You also list a number of commodities that you have there including in it most of the commodities that we have also included and which we will be making studies on as commodities. There are 17 agricultural products and six fishery products which we have planned to follow through from the producer to the consumer.

I will have some questions I would like to ask myself later, but I think I would like to start.

Mrs. Walton?

COMMISSIONER WALTON: On page 9, Mr. Platt, have you any information, or do you know whether there is a price differential on delivered bread as opposed to bread bought in the store? Do you know if that same principle is followed say for something such as milk?

MR. PLATT: I am not sure of how many products that it followed on, but I happened to choose bread, and I verified it. On the others I did not follow up.

COMMISSIONER WALTON: In some parts of Canada there is a price differential with milk. It bulks very largely on the average budget of a family. I wondered if you knew whether like bread there was a differential with milk.

MR. PLATT: I will be very glad to get that information for you. I would not care to state that exactly now.



COMMISSIONER WALTON: Do any of the co-operatives in Alberta have any of their own storage facilities at all?

MR. PLATT: Yes.

COMMISSIONER WALTON: Are any of them grouped together? Do they feel, or is there any information available that perhaps where farmers have their own storage facilities as a co-op, that their charges seem to be much less than others?

MR. PLATT: Well, in the poultry industry and the dairy industry a great deal of the work is done by co-operatives and they will be appearing before you tomorrow, the Federation of Agriculture, and perhaps they would be able to give that information more first-hand than what I can. The technical aspects of it, I am not too absolutely sure.

THE CHAIRMAN: When you refer to tomorrow, do you mean other than the co-operatives?

MR. PLATT: Yes.

THE CHAIRMAN: That would be the implication.

MR. PLATT: Yes.

COMMISSIONER MARTIN: Mr. Platt, on page 2 you are referring to grading of farm products. Your feeling seems to be that these gradings of farm products will go along until retail. How do you think this can be done for some products? It is all right for poultry and it is all right for eggs, but with beef and with hogs, do you have any idea how this can be done?



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Mr. Platt

MR. PLATT: Well, with beef, we do do that to a fair extent except we do not buy all "A" grade. If beef is selected on a red grade basis --

COMMISSIONER MARTIN: What we call "Blue" or "red"?

MR. PLATT: Yes, Blue and Red and commercial markets. Of course, when it comes to hogs it is very much more difficult because you are not selling the hogs. You are selling a product that is processed in many different ways. It brings out very real difficulties and as a matter of fact -- although I am certainly not an expert on this, you can take a lower grade hog and make first rate pork products out of it if your hog is not too low in category. It has to do with the distribution of fat in the tissues, and some cuts they do trim off. All you have there is the loss on the fat because the other quality is Okay.

In other cases they cannot be trimmed off because the hog is essentially inferior and will not make a top grade product.

I do not think the problem is impossible at all. I do not know that it would be in the farmers' interest at the moment to pick any one special case. For example bacon has been graded and it does have a fair amount of customer acceptance, but to take one special thing and give it a special grade, is not likely to help the producer too much. It is practicable to do that sort of



thing and presumably it could be carried on almost to a greater extent than what it is at the present time.

COMMISSIONER DRUMMOND: Mr. Platt, on page 2 at Item 3, you state "the producer is generally convinced that the processor take advantage of storage situations." Do you by saying "He takes advantage of the storage situation" that he gets excess or takes an excess commission or margin for performing his functions? Is that your meaning or do you merely mean he is smart enough to do the storing when the prices are low and dispose of his storage products when the prices are high?

MR. PLATT: That is what we had in mind. We don't know whether he is taking advantage of us, making an undue profit or not. The farm people are generally convinced -- Well I know, and I think you will agree sir, that it is in periods when the prices are low when stuff goes in storage; in periods when prices are high they come off. A very excellent example was the butter industry in Canada, before the Government took a hand in the matter by putting on price support. That I think is familiar to all of you and illustrates what I have in mind about as good as anything I can think of.

COMMISSIONER DRUMMOND: You think one might get part way towards a solution of this particular problem, if it is a problem, by developing more regular production through the year?

MR. PLATT: Yes, that is true. Where it



can be done, is being done. It wasn't too long ago when all our butter came on the market at a certain time. All our eggs came on at a certain time, whereas now it is spread to quite a very large extent. There are practical limitations because of the fact that you have so many individual producers making decisions, and of course another way that that sort of thing can be handled to advantage is through producers' marketing boards. That is a very excellent function of them, and serves the same sort of thing that the Government did, when they essentially formed a Marketing Board for butter.

COMMISSIONER DRUMMOND: On your next page, page 3 at the top you mention farm people are greatly concerned about the high mark-up that results in reduced consumption. What I am wondering there is whether you think that this high retail price will actually reduce food consumption very markedly in periods when consumer income generally is high?

MR. PLATT: Perhaps not too much, except on the special occasion. As a matter of fact, on the sort of thing that occurs, is in regard to eggs when prices would go to terrifically high levels, 80 and 85 cents a dozen. Then the housewife will substitute and say we won't have eggs, we will stop buying them at that time, and pretty soon eggs come down to 40 cents a dozen and she does not start using eggs for some considerable period after that, so that you do I think have a definite reduction of the specific product by that sort of thing,



and I think other examples could be cited as well.

COMMISSIONER DRUMMOND: Your statement there corroborates my own thinking, that you can reduce or probably would reduce consumption of a specific product, but that might be different from saying that you could reduce significantly the consumption of products generally.

MR. PLATT: Oh yes, the total number of calories sold, shall we say, will probably remain fairly constant, but as producers we are interested in the form in which those are sold.

COMMISSIONER WALTON: It would be a shift to some other product temporarily?

MR. PLATT: Oatmeal, for example, we don't make so much money out of some products.

COMMISSIONER WALTON: No gimmicks in the packages?

COMMISSIONER DRUMMOND: On page 6 you mention that because of the farmer's lack of bargaining power -- I am wondering whether you think the lower prices are the result of the reduced production or whether they are the result of lack of bargaining power? Which way is it?

MR. PLATT: Well generally speaking, with most of our products here, that is lack of bargaining power, because surplus is a temporary thing. Of course, when you get into what you might call a chronic surplus position, then that is a different story, but most of our surpluses that produce any lowered prices are seasonal surpluses; very temporary



in nature.

COMMISSIONER DRUMMOND: In respect to the bargaining power, have you any views as to whether you think it has been getting less in very recent years compared with what it was before that? What I am interested in is whether or not decline in bargaining power has been a factor in determining spread?

MR. PLATT: I am not sure. I doubt if it is. I don't know whether that can be made a general statement or not. You try to relate it back to certain products at certain times, and at the moment I can't think of anything that would substantiate the idea that bargaining power is becoming less and you can think of some cases where it is becoming greater in the case of products that are marketed through livestock boards in Alberta generally speaking, particularly in the disposal of feeder cattle I would say in recent years bargaining power to the farmer has actually improved in certain areas. In other areas that would not be so, but I doubt if you can make a general statement that it has decreased. It may be in the case of hogs on the other hand where at one time we took them to the stockyards, and bid on them, and now they go directly to plants.

COMMISSIONER DRUMMOND: This point that you make on page 6, number 3, where you say that farmers feel that if the products bought by processors at a low grade are often sold to the consumer at a



higher grade, raises the question of the possibility of carrying the grade through to the consumer. Any thoughts at all as to the possibility of doing just that?

MR. PLATT: Well I think that certain things could be done, although I recognize that there are great difficulties in the way, and there is difficulty in even maintaining grade. You perhaps do not find that in your large city supermarkets, but you find it in other places where you see grade "A" eggs displayed in the store window in open baskets. That sort of thing is part of this problem, and it is quite an important part of it. Actually of course the same thing is true of fruits and vegetables, and there are difficulties. You pretty nearly have to take each product by itself and work it through.

In the case of such things as cream that goes into the manufacture of butter, it can go in as one grade and come off as another legitimately, as I understand it, by means of filters or whatever it is they use, and conditioners to improve the quality of that, but those are things that we farm people do not understand. If that is the case we do not understand it. We think that these are things in which we are being taken advantage of, and if there are real and reasonable explanations of them why we would like to know what they are, but we do feel that improvement can be made in carrying grades through, and it would react to both



the advantage of the producer and consumer, but you would have to deal with that I think on the basis of getting technical details of an individual product. It is not something you can generalize upon too much.

COMMISSIONER DRUMMOND: Reference was made in the previous brief to the differential in grades in the case of hogs, and the statement was made to the effect that the differential was fixed. I am wondering if you have any thoughts there as to whether you feel that that differential, \$2 on hogs, or whatever it is, whether that should be a continuing or fixed thing, or whether you feel that the commodity of hogs should be sold -- that the different grades should be sold really as different commodities, the idea of bringing just exactly what they are worth?

MR. PLATT: Well if you can. Hogs is one of those difficult products to carry the grade through on. If you can carry the grade through on the price that the producer receives, what he receives is what the market will pay, and you don't need this other. This other bonus has been put on because generally speaking we agree that it is a good thing to have these higher quality hogs. Otherwise, we can't sell them either in our own country or abroad, and because we cannot determine the exact value of them on the markets, we say it is \$2 a hog and pass that on to the producer, and he in turn is inclined



to feel that probably doesn't represent the exact situation, and probably should be at least twice that.

COMMISSIONER DRUMMOND: What I am interested in there is this, that the Alberta farmer is apparently not too willing or anxious to improve his hog quota.

MR. PLATT: Of course, this is quite a complicated thing and there are many factors involved, but perhaps the most important is the tremendous quantities of cheap feed that is available. It seems the quicker a man converts a pound of feed into a pound of pork the better it is. There are also many farmers going into hog production who had no previous experience of hog production, and it is also due to the fact that there is a large amount of feeding available. You inevitably get that sort of thing, that instead of a man setting up a breeding herd he starts off with females and males and starts into the business, and that together with lack of experience and lack of good breeding stock is perhaps the most important thing. But there are good hog producers in this province who produce "B" hogs as a matter of policy; they believe they can make more money.

COMMISSIONER DRUMMOND: In other words, another way of saying it is that the differential is not sufficient?

MR. PLATT: That is correct.

COMMISSIONER KIDD: Mr. Platt, you raised



a number of points for further examination without having been able to put them at this time, and you say you probably will have something more later on in the year. On the point of technological improvements in the processing field, you say that there must be a general lack of efficiency in the food processing and distributing agency. There you apparently have witnessed a technological improvement, but you haven't noticed that there have been any savings passed on to the consumer in the form of lower prices. Are you going to be able to do anything further on that?

MR. PLATT: No, that is not a field in which we have the facilities or the knowledge to go into. I don't think we could get you any information that would be worth while on that particular aspect.

COMMISSIONER KIDD: I was wondering about storage also, the question of returns to the person who is concerned with the storage of the product. Are you suggesting there on page 8 that this leads to speculation rather than a market price? I think we are talking about eggs mostly here.

MR. PLATT: Well, of course, in regard to food storage and speculation have always been pretty closely associated, and in the days before there was any guarantee of prices, why, it was a highly speculative business in which the processor or the person storing the products was entitled to a very high mark-up because he was not only putting



out large costs for storage but he was also gambling on the market.

COMMISSIONER KIDD: But apart from the speculative angle, he may have been performing a necessary function also.

MR. PLATT: Oh, yes, he is performing a useful function; there is no question about that.

COMMISSIONER KIDD: There was one matter about the letter. I don't know how to count eggs, but 11 dozen and 11 at 30 cents.

MR. PLATT: Oh, 11 dozen or 11 eggs. I think that letter is fairly typical of the sort of thing we are talking about, and that is why I put it in there. It expresses the views of this lady, and I presume it is a lady because mostly in poultry it comes under the jurisdiction of women.

THE CHAIRMAN: Can you tell us how grading is done and what supervision there is over grading?

MR. PLATT: Grading, of course, is done by the processor of the eggs and there is a certain amount of supervision, but it is not Government grading.

COMMISSIONER MARTIN: Supervision by the Federal Government?

MR. PLATT: Yes.

THE CHAIRMAN: Do you have inspectors go around the grading plant?

MR. PLATT: That is correct.

COMMISSIONER MARTIN: They go right in the grading station and they check on the market?



MR. PLATT: Yes.

COMMISSIONER DRUMMOND: You said that the great majority of your egg processors are still on a relatively small scale?

MR. PLATT: Yes. I can't give you the exact figures on them, but we find that the large specialized producer is very close to the large cities and usually has a direct line to the retail stores. The great majority of the rest of the eggs are produced by small producers, but 200 to 500 hens is a typical farm flock in Alberta at the present time. The people who have 40 or 50 hens merely use the eggs for their own use, they don't actually market eggs at all.

COMMISSIONER DRUMMOND: What would be the normal channel through which these eggs would be marketed?

MR. PLATT: They go to grading stations normally, and from there into the wholesalers and from there to the retail channels or outside the province.

COMMISSIONER COUVRETTE: In certain briefs we have heard so far, and your brief in particular too, there seems to be some implication that the middleman would seem to be always in the middle of the difficulties and how the middleman charges are too high, and in all those briefs up to now we have been asked to study the question because it is said that that is a feeling or an assumption. Now, there is one question I would like to ask for my



own information. Would that exclude completely the possibility that due to the very high competition that exists in the food business the middleman could very well also be found to perform his functions rather well as a whole?

MR. PLATT: Oh, I think that is a distinct possibility, and I think that you would certainly find that with certain processors and with certain wholesalers and retailers, if you like, and on certain products. We don't know. There is another thing, of course, that we have to consider in that sort of thing, and that is radical changes in techniques of operation. For example, we couldn't begin to produce wheat with the techniques that we used even 20 years ago; with the world competition that we face today it would be a complete impossibility.

We have had to completely revamp our production plant. It may be that some of these processing functions that we do -- we will have to devise some other way of doing it entirely; we may have to devise some other way of distributing our food to keep the cost down. I think you will find when you complete your investigations that a certain amount of that will occur in some products and in other products nothing can be done about it.

COMMISSIONER DRUMMOND: Do you think, Mr. Platt, that the very pronounced growth of a city like Edmonton in very recent years has had any significant effect on the cost of marketing food products within the area?



MR. PLATT: One would think that it would reduce the cost; your market is closer, you are handling in far greater bulk, and it should be much cheaper to put it into the supermarket and into the consumer's basket than it would be ship it to the small plants and that sort of thing and the small stores. It should make food distribution costs less, I would think.

COMMISSIONER DRUMMOND: Perhaps one could break it down a little further. What about the effect of the growth of this city on the rents of business sites and so on?

MR. PLATT: I am afraid I am getting a little out of my depth there.

COMMISSIONER DRUMMOND: I am just thinking in a general way.

MR. PLATT: No doubt the cost of construction of stores, the taxes and rent and so on have gone up.

COMMISSIONER DRUMMOND: You mention on page 2 that there has been this technological development in processing. What I am wondering about is if there are any off-setting influences which have taken place at the same time these have taken place?

MR. PLATT: I think to some extent that is true, but I wouldn't know where to draw the line.

COMMISSIONER DRUMMOND: Taking the specific case of milk, there is a commodity which is still in the main part delivered to the door than sold through your large retail centres. I would think that the mere increase in the growth of the city would tend to



increase the cost of distributing that commodity, other things being equal.

MR. PLATT: I don't think I could entirely agree with that. There would be additional cost, but surely the concentration of your population over an appreciable period of time should finally result in some savings.

COMMISSIONER WALTON: Could I ask Mrs. Armstrong a question? Knowing that you represent the Farm Women, Mrs. Armstrong, do you find in your groups that today in Alberta, probably because more farm women are buying more of the products they used to preserve or put down in their own homes, they have the feeling in relation to what they see produced and what they are buying at the retail level, do you have anything in the way of organization, resolutions or consensus, that there are perhaps unnecessary services? Could you give me any feeling on that type of thing?

MRS. ARMSTRONG: Mr. Chairman, Members of the Commission, I do appreciate your asking that question, Mrs. Walton, because I have been more or less trying to think on page 9, other matters of investigation, that if there was a question to be answered I might be able to give you something along that line.

To begin with, farm people are not a bit happy in the price that they receive and then go into any of the stores, whether it is a supermarket or anywhere else and see the prices placed on their



products.

We know there are a lot of things that have to be done with those products in between, but it does not seem relative.

I would like to go back and follow through on the packaged bacon. We do work with other organizations and we are working with the Canadian Association of Consumers and there was a lot of thought that that had gone quite far enough, putting lower grade pork into higher grade packages. That is all you can call it, because the quality was not as good as it should be and when the little red lines on the package improved the camouflage we were not happy with it. We were glad the Government took steps about that.

Now, I think we can follow through and study things that you get in the Supermarkets and other markets such as frozen vegetables. I mean the boxes are a little prettier on the package than another of the same size and same weight, but there is a matter of 3 or 4 cents difference in a package of frozen vegetables, and it makes you think there is something wrong somewhere.

Now, I would like to follow through -- you mentioned just a little while ago about gimmicks in packages. We do not feel that oats or wheat that we grow need china, towels or anything else to sell it. If people want to buy them, they will. We do not want to know what kind of crockery we must save and what kind of spoons and so on.



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Mr. Platt

We think that prices to the consumer could be more in line if that type of gimmick were discontinued and the products themselves sold because the quality is there anyway, and I think if this type of thing were looked into, it might bring a better feeling all the way around.

I know there is a great feeling amongst the women that it is not necessary, and we have had many resolutions that have been passed on to the Canadian Association of Consumers and any other interested organizations with whom we work, and we will give them our support as producers; but we are consumers too. We are in a double role, and we feel that way.

I want it clearly understood we are anxious to do what we feel is a good job of production, and that we why we feel as consumers we have been taken for a ride both ways.

COMMISSIONER WALTON: Thank you, Mrs. Armstrong. Have you noticed appended to some types of foods -- I presume competition has done this, perhaps we could take cereals for an example. They seem to be almost in the same category as the soap companies now. Would you feel that any useful purpose would be served -- I believe as far as oatmeal is concerned, there are some companies that will put out a package without any saucer or without an electric light bulb in them, and they would put out a same sized package containing a premium, but there would be a difference in price.



If there was a choice, then the customer could decide. I have heard it expressed in British Columbia in the last few days that there were some women that did not like the premiums and gimmicks and things, and there are some who save the box tops.

It was also implied that where there was a choice, the discerning woman who did not like that would be able to buy that same product without it. Would you subscribe to that?

MRS. ARMSTRONG: Yes. But I would like to say, but it doesn't necessarily follow through in every case.

I have made a little study on my own, and looked at some of these with the premiums and that, and I found in some instances that those with the premiums and those without were all standard priced so I wondered if there was not in some way a forgone conclusion this has got to be the price for that article with or without the premium.

I think there is another method that we can look into because at the moment you do not have a choice, so naturally if there is no choice they will take the ones with the gimmicks.

COMMISSIONER WALTON: You feel that if there was one with a gimmick, and one without a gimmick at the same price, you would take the one with the gimmick?

MRS. ARMSTRONG: Yes, but I do feel you have a point if they would give a choice with the



comparison of prices they would certainly take the one without the gimmick, because they are looking at the cost of living and to meet with their budget and so on. I think they would buy what they choose to buy instead of being forced to buy something against their will.

COMMISSIONER WALTON: Thank you, Mrs. Armstrong.

THE CHAIRMAN: Mr. Platt, there are some of my colleagues who come from less progressive and enlightened parts of Canada, and they are not quite sure what the nature of the Farmers' Union of Alberta is. Would you care to tell us about your organization? I do not want to ask you to distinguish between yourselves and the Federation. Perhaps you could set out the nature of your organization in terms of some distinctions.

MR. PLATT: Mr. Chairman, I would be glad to. I guess our public relations is not as good as it should be. The Farmers' Union of Alberta is a direct membership organization in which the farmers pay in a fee each year to join.

We have within it a ladies' section in which the women work on particular problems that are of particular concern to them. I might say their record in welfare and health and things like that is probably without equal by any organization in Canada.

Then we have the junior section which is our younger farmers, those that are just getting



established or who are still working at home, and they are devoted more to study projects on the techniques of farming and elementary economics, and things of that nature.

The overall body, of course, is the Farmers' Union. There is no line of endeavour on which we do not touch at one time or another. We are primarily concerned, of course, with the economic and social and cultural welfare of the rural people in the province.

We do do such things as presenting briefs here and briefs to the Transport Commission, negotiations with Government and legislation with which we are concerned.

We are also a member of the Alberta Federation of Agriculture and have been for as long as the Federation has been in existence, and through them we work on international and international fields.

Mrs. Armstrong has been a director of the Canadian Federation of Agriculture for many years. I am presently a director of it myself.

We are also associated with farm unions in other provinces, in the Inter-Provincial Farm Union Council which is a sort of co-ordination council to deal with inter-provincial matters which are of concern to all of us.

To some extent there is a duplication of work in the Federation of Agriculture. To some extent there is not.

Like many other organizations and groups



of organizations, I would not say that we have the most efficient type of thing that it would be possible to devise, but it is the sort of thing that has been growing up over the years.

I might say that while the name of the Farmers' Union has changed from time to time, and we have had disputes and splits amongst ourselves there has been a continuous direct membership of farm organizations in this province since 1903 without a break. I do not think there is any other province in Canada that has quite that record.

I think Mr. Chairman, that deals with the thing. If I might just have a moment to say there is one matter we did not put in this brief. I omitted it unintentionally and that is when we came to work on this thing, we found the literature of the D.B.S. most confusing and difficult to work out as far as prices were concerned.

Surely somewhere those prices can be put into one publication so that we find something which we know would be comparable. We found prices for sides of beef in one publication, and for eggs somewhere else, and consumer prices somewhere else, and when we did find them we were not exactly sure that the things are related or comparable.

I think that might be something that might be passed on to those people. It would be very helpful if we did have those things in a more controlled useful form.

COMMISSIONER WALTON: Thank you for saying



that. As you can see in our Terms of Reference this question of inability and adequacy of information dealing with these particular topics is given some considerable emphasis. It is one of our major concerns.

Might I ask you whether your organization has taken any position in the matter of marketing boards?

MR. PLATT: Yes, we have. We support the idea of marketing boards, and we assist groups and producers to try and organize them if they so desire. We are not attempting in any way to force marketing boards on any producers who do not want them, but we do provide an organization whereby groups and producers can get together and with our assistance provide a plan and attempt to give to all producers the story of marketing boards; what they are good for, and what their limitations are, and that sort of thing.

We do that sort of thing, and so does the Alberta Federation of Agriculture, and we work very closely together in the promotion of the idea, and where specific groups of producers have asked for it, for the actual promotion plan.

THE CHAIRMAN: I presume that the legislation introduced in 1955 was introduced as a result of representations from the farm organizations, and evident support from farm organizations of that period?

MR. PLATT: That is right. After



long years of presentations on behalf of farm organizations, particularly the Alberta Federation of Agriculture and Mr. Marler, who was its president at that time, worked for a great many years to have legislation introduced into this province.

THE CHAIRMAN: Would you agree that the principle is not equally applicable to all types of products and types of producer?

MR. PLATT: Oh quite, yes.

THE CHAIRMAN: It is more likely to be effective in some cases than others?

MR. PLATT: Yes.

THE CHAIRMAN: Is there any reason why the egg question came up so quickly?

MR. PLATT: Well I think there are. In the first place, eggs have been one of those things producers have felt most strongly about, that they weren't getting a square deal on, and they are a reasonably well organized group amongst themselves as contrasted to the hog producers who have no organization amongst themselves, that is commercial hog producers, but egg producers have. That, of course, got it off to a flying start and a general feeling I think amongst all of us, we are interested in agriculture and eggs would be something that we could gain experience in handling perhaps easier than we could with some of those other products that are essentially more difficult to handle, and one of the problems of course is finding people who have experience to undertake the technical work



involved in operating these things.

COMMISSIONER MacKICHAN: In the course of your brief, Mr. Platt, you enumerate a number of items, the solution of which seems to be beyond the capacity or the ability of farmers to solve, but there is one that seems to me to stand out as being within the direct field of direct action, and that is the marketing of livestock at the public stockyards for auction. That is where if there were a benefit to the farmer he could solve that right there and then. Why don't farmers take complete advantage of that service?

MR. PLATT: Well I am afraid I can't answer your question. There are some farmers who like to dicker. They are prepared to take a lower price for the fun of dickering for the individual sale of their product. I don't think there are too many of those left now. Most of them go broke before too long, and get out of the business.

One of the difficulties, of course, is to impress upon farm people exactly what they are doing and our budget and our facilities are just not sufficient to do a good educational job, and neither is the Alberta Federation. These people produce pretty rough competition. You take stations around this city, for example, every highway has got one or two of them there, and a man comes along there and they have very able people running these places. The farmer stops on his way, or the trucker stops on his way. What is the price here



today? Quite frequently they can quote a price particularly when supplies are short, they can quote a price that is quite comparable with the stockyard prices. In addition to that, there has been very effective propaganda put over the radio appealing to him day after day and year after year with market report broadcasts, ship direct and save on marketing costs. There is no brokerage when you bring them to the plant. All these slogans have been dinned into the farmers' ears for so long they have forgotten that they are not paying any marketing costs or any yard costs, but they are surely paying the marketing costs because of this sort of thing.

Again, you will find that you get different results in different parts of the province. Generally speaking, where you get relatively large commercial herds, you will find that those are the people who are supporting the public market. The small producer is marketing a small amount of produce, which is essentially a sideline with him, doesn't know in many cases where his stuff goes. It is picked up by the truck, and he gets a receipt for it, and the trucker in many cases decides where the stuff will be sold. I think the situation may tend to improve. In beef, the problem is not so great, but in pork it is very real.

I don't know what the percentage would be now, but it is very high. A very small percentage of our hogs go to the public stockyards at all, and it is perhaps significant that that is where the



is
pressure on/for marketing boards, whereas there
is no pressure on for marketing boards on beef.

COMMISSIONER MacKICHAN: I was not unfamiliar with the problem at all. Apparently we have it quite frequently in the east. I was just wondering if it is because the farmer doesn't play golf, doesn't collect stamps, generally wanted some form of recreation and he is conceited enough to think he can match his wits against the buyer, a bit of the Latin meeting the Scotch, like to trade and dicker as you said.

MR. PLATT: I think that is true. I would suspect that the big bulk of stuff is the stuff that does not get to the stockyards, it is the stuff that is collected at the barn stage.

COMMISSIONER MacKICHAN: The situation you mentioned between hogs and beef is completely reversed in the East. The hogs will go to the plant 100 per cent, but the beef is where you can really take a licking in dealing with the experienced traders.

COMMISSIONER DRUMMOND: In Alberta Mr. Platt, do you have a variety and type of buyers in the case of livestock?

MR. PLATT: Yes.

COMMISSIONER DRUMMOND: Some very large operators and some quite small?

MR. PLATT: Yes.

COMMISSIONER DRUMMOND: Which class of buyer tends to buy mainly on the stockyards?



MR. PLATT: Oh you mean buyers for the process?

COMMISSIONER DRUMMOND: Yes.

MR. PLATT: No, they are all large.

COMMISSIONER DRUMMOND: That is what I thought. The reason I asked is in other markets I am told that it is mainly the smaller local butchers buy whatever is bought on the stockyards?

MR. PLATT: No, whatever is bought here is probably -- well right at the moment at least half is for export and the rest go to large buyers. Of course, our large buyers in the city of Edmonton buy a good deal of their beef on the stockyard at all times. To the best of my knowledge they buy no hogs there. The hogs that are sold on the stockyards are for the Vancouver trade almost 100 per cent, and they get the hogs that they want directly to the plant.

COMMISSIONER DRUMMOND: In respect to marketing boards, is it your feeling that the people in the province who are interested in marketing board are thinking primarily of a basis of increasing their bargaining power through the board or are they thinking mainly of what we call orderly marketing, or are they thinking of quality, improvement of quality?

MR. PLATT: They are thinking of all of them, but orderly marketing is probably the principal criterion, and I think you will agree that this is where marketing boards chief function lies, because



you -- they are not designed, nor are they suitable for restricting production or for establishing prices at high levels or anything like that. That is just not practical even though you may want to do it.

THE CHAIRMAN: Thank you, I won't burden you with any further questions, I just want to thank you very much for your presentation and for Mrs. Armstrong coming with you.

COMMISSIONER WALTON: Mrs. Armstrong, it was just a thought that occurred to me, when you indicated in your illustration two types, two packages of oatmeal were available in every retail store one with the saucer, one without, the problem just crossed my mind just supposing that there weren't enough of us that used our eyes and we were not discerning enough to realize that there was a difference in price, it might well be the one with the premium in would be the fast seller and the one without would stay there. Then the retailer is faced with the problem that he would have to have a higher mark-up on the slow moving product, so that would be something, but we would still prefer them without the gimmicks.

MRS. ARMSTRONG: Yes, I believe you are right, Mrs. Walton, and I think it comes down to the self same thing again which is consumer education that is needed in that direction, and I think that the Association, Canadian Association of Consumers are trying, we are certainly doing, our own



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Mr. Platt

organization is doing our best because all women are quite aware of it. We have resolution after resolution. We don't need education, we need action.

THE CHAIRMAN: Mr. Putman, the Deputy Minister of Agriculture, wishes to record a correction in the information given to us this morning. The question was how many cheese factories there are now in Alberta. The correct answer is that there are eight cheese factories.

We will adjourn now for the luncheon period and re-convene at 2.30.

--- The hearing adjourned for luncheon at 12.30 to resume at 2.30 p.m.

(Page 604 follows)



THE CHAIRMAN: The brief this afternoon is on behalf of the Alberta Wheat Pool, presented by Mr. Harrold, and this document is numbered Exhibit 13.

EXHIBIT NO. 13: Submission of the
Alberta Wheat Pool.

What is your position with the Pool, Mr. Harrold?

MR. HARROLD: I am chairman of the Board.

THE CHAIRMAN: How is the pool organized in terms of its directorate and organization?

MR. HARROLD: Well, Mr. Chairman, we have seven directors, and a delegate body of 70, which is the controlling body. As far as the Alberta Wheat Pool is concerned, we are co-operators. We cut the description of our organization to a minimum; I suppose we could have got in a number of more paragraphs there if we had wanted to describe it more completely, but that in brief is the size of the controlling body, seven directors and 70 delegates.

THE CHAIRMAN: Would you read your brief now?

MR. HARROLD: Thank you, Mr. Chairman. I would like to apologize for the opening paragraph. It should have read: It is a privilege, Mrs. Walton, and gentlemen, to have an opportunity to appear before this Commission on behalf of a large number of grain producers.

The Alberta Wheat Pool is a grain marketing



co-operative with nearly 50,000 farmer members, located throughout the agricultural areas of Alberta, and the Peace River and Creston areas of British Columbia. Membership in the organization is limited to those who are actively engaged in the production and marketing of grain. Ownership of Pool facilities rests entirely with these members.

The Alberta Wheat Pool markets the grain of its members on a co-operative basis through its 535 country elevators and its terminal elevators located at Vancouver and Port Arthur. Each year handlings amount to more than one-third of all the grain delivered in Alberta.

The Alberta Wheat Pool is pleased that you have been commissioned to investigate this very important matter of the spread which exists between the price producers receive for their produce and that which consumers pay for the food they buy. As a farmers' organization, the Alberta Wheat Pool has more than a passing interest in this subject since it is vitally concerned with the returns grain producers receive for the products they market. It is towards improving these returns that much of the effort of the organization has been directed since its inception 35 years ago.

The Alberta Wheat Pool has steadfastly endeavoured to secure for farm people a reasonable price for their grain, one which bears a fair relationship to its cost of production and which will give them a return more or less in line with the returns of those



in other occupations and businesses.

At the same time, it has constantly sought to give producers a greater share of the selling price of their grain. It has done this by striving for greater efficiency in the marketing processes and by holding down marketing charges to as low a level as possible, in line with sound business operations. At the end of each year surplus earnings, over and above expenses, are returned to members as patronage dividends on a per bushel basis. Since its inception these dividends have had a total value of more than \$21,100,000. In effect this has helped to narrow the spread between producer and consumer. The standards set and the competition provided, we feel, have helped all the grain producers of this province to receive a better return for their grain.

Steadily Widening Spread: The farmers of Alberta are very much concerned over the steadily widening spread between the prices they receive and those at which the food is sold over the counter to the consumer. This has resulted in a gradually shrinking share for the farmer of the retail food dollar. While the index of retail food prices has moved ahead very sharply in the last ten years, climbing from one new peak to another, the index of farm prices has not kept pace. This is clearly illustrated in the following table and the accompanying chart which are based on figures of the Dominion Bureau of Statistics.



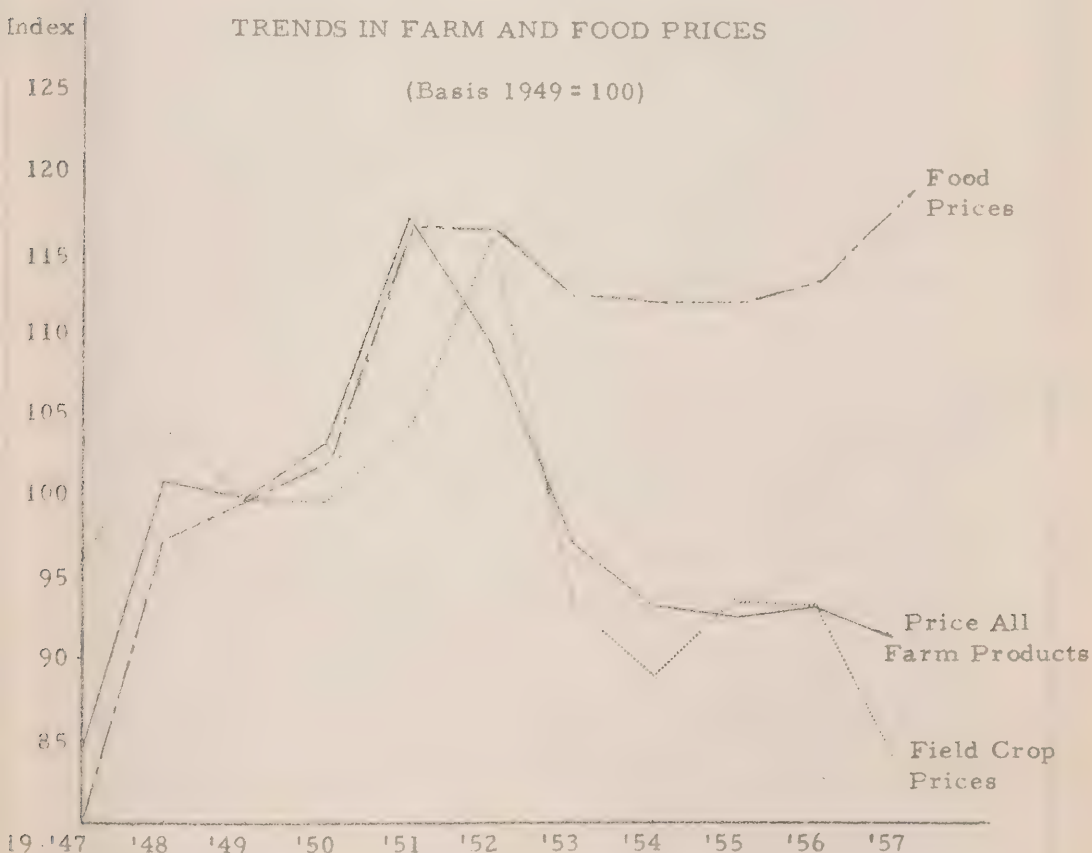
Now, Mr. Chairman, would you like me to read those figures?

THE CHAIRMAN: I think if you would just read the headings of the columns and the 1947 figures and the figures for 1958, we will ask that the rest of the table be inserted in the transcript.

MR. HARROLD: Mr. Chairman, we have put a number of graphs in here, and I don't think I should suggest to you as an economist that graphs give a more easily perceived idea of what is happening as far as farm prices are concerned. It gives the consumer food price, the price of all farm products and the price of field crops. In 1947 we had a consumer price of 79.5, 1949 being equal to 100, and in 1958 it is now 119.4. Comparing this to all farm products, we start off with 84 in 1947, and we arrive at 91.4 in 1957. Field crops are in a somewhat worse position with 83.6 in 1957, with 1949 being 100. So that the graph at the bottom shows the trend in farming food prices. Food prices have continually climbed until 1952, a slight decline, and then a fairly sharp increase from 1956 to 1957. The prices of all farm products have continued to decline since the high of 1951 with the levelling off in 1954 and 1955, and field crops with a high in 1952, a low in 1954, and an increase and then a decrease in 1957 again.

	<u>Consumer Food Price</u>	<u>Price All Farm Products</u>	<u>Price Field Crops</u>
	(1949 = 100)		
1947	79.5	84.0	95.9
1948	97.5	101.0	104.5
1949	100.0	100.0	100.0
1950	102.6	103.5	100.0
1951	117.0	117.4	104.4
1952	116.8	109.4	116.2
1953	112.6	97.3	93.5
1954	112.2	93.4	89.1
1955	112.1	92.9	93.8
1956	113.4	93.2 *	93.4 *
1957	118.6	91.4 *	83.6 *
1958 (Jan. only)	119.4		

* Since August 1, 1956, only initial prices are available for Western wheat, oats and barley.





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As is shown, the index of retail food prices in Canada, moved from an average level of 79.5 in 1947 to a peak of 119.4 in January, 1958, an increase of 50 per cent (1949 = 100). In the same period the index of wholesale prices of farm products (converted to the same base period) moved from 84.0 in 1947 to a peak of 117.4 in 1951 and then dropped back to 91.4 in 1957; the latter figure is an increase of only 8 per cent over the 1947 level, and is 22 per cent less than in 1951. It compares with the 50 per cent increase in food prices.

For field crops, the index of prices at the wholesale level (basis 1949 = 100) moved to a peak of 116.2 in 1952 and then fell back to 93.4 in 1956 (the last year the final payments on Western wheat, oats and barley have been made). This is a drop of 2 per cent from the 1947 level, and 27 per cent from the 1952 peak.

We draw your attention to these rather general figures to indicate that farm prices, and particularly field crops, have not moved ahead with food prices. It cannot be claimed that farm products are responsible for the rising cost of food since farm prices are now lower than they were ten years ago. Other factors must be responsible. We are pleased that you are investigating these marketing margins. Both producers and consumers should have this information. With it will go a better understanding of the farm problems of today. We are pleased, too, that your terms of reference empower you to make appropriate



recommendations, if you find unjustified spreads exist.

Wheat Marketing: Representing, as we do, a large number of grain producers, we are interested in the spread between the producer and consumer price for all grains, but since wheat is the main grain used for human consumption in Canada, we shall confine our remarks in the remainder of this presentation to this grain.

All wheat delivered into regular commercial channels in Manitoba, Saskatchewan and Alberta and "designated" areas of British Columbia, is marketed by the Canadian Wheat Board and the firms, which operate country elevators, act as the agents of the Board. Grain delivered over given periods, usually one year, is handled on a pooling basis, with separate accounting for each grade marketed. Producers receive an initial payment at time of delivery, an interim payment as the grain is being disposed of and a final payment after the Board has sold all of the grain in a pool. The final or total price to producers (at the terminal points) for each grade is the average price received for that grade during the marketing period, less actual carrying and selling costs. Through the operations of the Wheat Board the selling of Prairie-grown wheat is carried out on behalf of producers at cost. The margin between seller and buyer has been cut to a minimum.



Prices to producers are established at the terminal points of Fort William-Port Arthur and Vancouver and producers receive settlement on the basis of these prices. Out of this terminal price they must pay:

- (1) The freight from their local elevator point to the terminal;
- (2) A handling charge to the country elevator operator to cover the cost of receiving and shipping the grain;
- (3) Any storage charges which may accrue while the grain is in the country elevator.

Each of these charges is carefully regulated for the protection of the producer. At the beginning of each grain marketing season, and following public hearings, maximum handling and storage charges are established by the Board of Grain Commissioners. Elevator operators are not allowed to charge more than these rates. The charges are fixed, taking into account, primarily, the interests of the grain producers, and secondly, the earning requirements of the elevator operators to enable them to remain in business.

Maximum freight rates on wheat moving from country elevator to the terminal points for export are set under the Crow's Nest Pass Agreement and have remained unchanged for many years. This agreement protects producers from rising grain freight rates.

In the last ten years, maximum allowable



grain handling charges have increased by only $1/4$ -cent a bushel, that is in the last ten years, moving from $2-1/2$ to $2-3/4$ cents. Maximum allowable storage charges have been reduced from $1/25$ to $1/30$ of a cent a bushel a day, in that same period.

Thus, with maximum handling charges set by the Board of Grain Commissioners, with freight rates established under the Crow's Nest Pass Agreement, and with the presence of strong producer-owned co-operatives, the marketing margin between country and terminal elevator has remained low.

Wheat and Bread Prices: The domestic market represents a substantial and steady market for Canadian wheat, about 90 per cent of which is grown in the Prairie provinces of Manitoba, Saskatchewan, Alberta and contiguous areas of British Columbia. Each year the people of Canada consume about 50 million bushels of wheat. The extent of the domestic market for wheat since 1947 is estimated by the bureau of statistics as follows:

(Page 613 follows)

	<u>Human Consump-</u> <u>tion in Canada</u>	<u>*Total dis-</u> <u>-appearance</u>	<u>% Total Con-</u> <u>sumed in Canada</u>
	- bushels -		
1947-48 ...	53,000,000	350,989,000	15
1948-49 ...	42,616,000	361,933,000	12
1949-50 ...	47,082,000	361,621,000	13
1950-51 ...	51,106,000	384,673,000	14
1951-52 ...	52,176,000	524,700,000	10
1952-53 ...	52,300,000	535,932,000	10
1953-54 ...	46,390,000	398,904,000	11
1954-55 ...	53,672,000	414,087,000	13
1955-56 ...	53,700,000	476,378,000	11
1956-57 ...	52,800,000	429,767,000	12

* Seed, feed, human consumption, industrial use and exports.

Source: Grain Trade Yearbook.

That table shows human consumption has not increased to any extent since 1947 although our population has increased in that period.

In 1947 for human consumption, we had 53 million bushels used. Then in 1956 it was 52,800,000 and the other column shows the total disappearance of wheat in that period; and the final column, of course, is the percentage of the total consumed in Canada. The column on total disappearance includes seed, feed, human consumption, industrial use and exports, and the source of this is the Grain Trade Yearbook.

The largest part of this wheat consumed in



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Canada is ground into flour and used in the production of bread and related products. While wheat flour is the main constituent in bread, the cost of the wheat that goes into the loaf is no longer a major factor in the price of bread. Prairie farmers view with concern the steadily widening marketing margin between the farm price for wheat and the consumer price of bread.

In the June, 1957, issue of the Economic Annalist, Roger Perreault, economics division of the Federal Department of Agriculture, lists the farmer's share of the retail food price, and marketing margins, of 14 selected food products. His figures for bread were as follows:

And here we have a table the farmer's share and marketing margin in cents per pound. This table was from the Economic Division of the Federal Department of Agriculture. In 1949 the farmer's share was 23 per cent. In 1956 it had been reduced to 14 per cent of the price of a loaf of bread which goes back to the farmer.

		Farmers Share	Marketing Margin
		%	¢ per pound
1949	....	23	7.7
1950	....	21	8.1
1951	....	18	9.4
1952	....	16	9.9
1953	....	17	10.0
1954	....	14	10.7
1955	....	15	10.7
1956	....	14	11.5



The farmer's share of the bread dollar has shown a fairly steady decline in recent years, dropping from 23 per cent in 1949 to 14 per cent in 1956. This decline is in part due to the steady increase in the marketing margin shown in the preceding table and partly to the decline which has taken place in the price of wheat.

The table below carries the comparison between bread and wheat prices a step further. It shows the retail price of bread in Calgary, the domestic price of 1 Northern wheat at Fort William -- Port Arthur, and the final price to the producer since 1947-48.

That is the table on the next page, and it shows the retail price of bread in Calgary, as we have taken it from our own publication the "Budget" which has shown the record over the years of the price of bread. In 1947-1948 it was 12 cents per loaf. In 1956-57, 19 cents per loaf.

The next column gives the domestic wheat price in those years and the next column is the final price to the producer.

Beneath that table we see that on August 1st, to September 15th, 1948 the Government subsidies reduced the price of wheat to millers to 77-3/8ths cents per bushel, although the miller was charged \$1.55 in 1947-1948.

During the balance of the year it remained at \$1.55. August 1st, 1948 to March 22nd, 1949, a Government subsidy kept domestic price at \$1.58-1/2,

and during the balance of the year the price was \$2 per bushel.

	Retail Bread Price, Calgary ¢ per loaf	Domestic Wheat Price - ¢ per bushel-	Final Price to Producer
1947-48	12	* 155.0	183.3
1948-49	12	** 158.5	183.3
1949-50	13	200.0	183.3
1950-51	14	191.2	185.5
1952-53	16	185.2	181.7
1953-54	17	186.3	156.2
1954-55	17	172.8	164.8
1955-56	18	173.9	160.7
1956-57	19	168.2	***150.0

* August 1 to September 15, 1948, Government subsidies reduced the price of wheat to millers to 77-3/8 cents per bushel. During the balance of the year it remained at \$1.55.

*** August 1, 1948 to March 22, 1949, a Government subsidy kept domestic price at \$1.58-1/2 and during balance of year price was \$2 per bushel.

*** Initial and interim payment only.

The table below brings retail bread prices in Calgary since 1947 and the price producers received to a common denominator. On the basis of prices for both wheat and bread being equal to 100 in 1947, it shows how bread prices have increased by 58 per cent, while the producer's return for wheat has declined by 18 per cent since 1947.

The first column there brings it to a common denominator using 1947 as 100. The price of a 20-ounce loaf of bread in Calgary. The price in Calgary of a loaf of bread has increased by 58 per cent.



The column under farmers' returns for No 1 Northern Wheat at Fort William-Port Arthur, is the same column as the final price to the producer up above on our top table. It brings it to a common denominator figure which shows that the farmers' return for No. 1 wheat has been reduced from 182 whereas the cost of bread in Calgary has increased from 100 to 158 in the same 10-year period.

		Price of 20 oz. loaf, Calgary	Farmer's Return for 1 Nor. Wheat at Fort William-Port Arthur
		(1947 = 100)	
1947-48	.....	100	100
1948-49	.....	100	100
1949-50	.....	108	100
1950-51	.....	117	101
1951-52	.....	125	100
1952-53	.....	133	99
1953-54	.....	141	85
1954-55	.....	141	90
1955-56	.....	150	88
1956-57	.....	158	X 82

X Final payment yet to be made.

On page 10 we then have the same table in graph form and this shows what has happened with the price of bread and the domestic price of wheat to the farmer in the same period. One has gone steadily upward and the other has gone almost steadily downward.

Cost of Wheat in Breat: On the average, 4-1/2 bushels of wheat will produce 196 pounds of flour and this will make about 300 pounds of bread



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or 225 20-ounce loaves. This works out at approximately 1.1 pounds of wheat in a 20-ounce loaf.

On the basis of the 1956-57 average selling price for 1 Northern wheat of 168.2 cents a bushel, the producer's return for the wheat used in a loaf of bread was only 3.1 cents out of the retail price of 19 cents paid by consumers in Calgary.

I might add in figuring out the 3.1 cents it does not take into account the fact that -- it assumes all the cost of the wheat is charged up to making the bread whereas one bushel, which is 60 pounds, produces about 43 pounds of flour, so that almost one-third of the wheat is a by-product, and we do not assume that by-products in this 3.1 cent.

We think, if it is of value, which it is, that cost may be reduced somewhere below 3 cents a loaf as far as the cost of the wheat in bread is concerned.

In 1947-48, the domestic price of wheat was 155.0 cents for most of the year. This meant that wheat cost 2.9 cents of the 12 cents consumers paid for a loaf.

Thus, while the price of bread went up 7 cents a loaf, the cost of wheat increased only .2 cents or 1/5 of a cent.

It is apparent that the people of Canada are receiving wheat at a comparatively low price. Grain



producers are generally in agreement that domestic consumers should be paying more for the wheat they use. While the general economy of the nation has expanded, wages and earnings have risen to record levels, and prices of virtually all goods and services have increased very sharply, the wheat producer is getting substantially less for his wheat than he did eight years ago.

While wheat prices have gone down, the farmer's cost of production has risen to such an extent that present day returns are insufficient to enable many producers to carry on paying farming operations. The table below, based on figures of the Bureau of Statistics, relates the farmers' costs of operation with their returns per bushel of wheat. It shows how operating costs between 1947 and 1956 climbed 50 per cent, while the average return per bushel from wheat in Alberta was down 19 per cent.

This next table on page 12, and these are D.B.S. figures on farm operating costs in Western Canada, shows an increase from 1947 to 1957 from 100 to 150, and the average price -- the farm price for wheat in Alberta in that same period has dropped from 147 to 81 in 1956 and 57. That is, the final payment is not included in that figure because we have not got the final payment in 1956-57

yet.

<u>Year</u>	<u>Farm Operating Costs--W. Canada</u>	<u>Crop Season</u>	<u>Average Farm Price Wheat in Alberta</u>
1947 ...	100	1947-48 ...	100
1948 ...	115	1948-49 ...	100
1949 ...	120	1949-50 ...	98
1950 ...	136	1950-51 ...	97
1951 ...	144	1951-52 ...	94
1952 ...	143	1952-53 ...	95
1953 ...	142	1953-54 ...	81
1954 ...	141	1954-55 ...	86
1955 ...	146	1955-56 ...	83
1956 ...	150	1956-57 ...	W 81
1957		1957-58	

W Final payment not included.

Prairie farmers feel that if the farming industry is to enjoy even reasonable prosperity they must secure a better return for the wheat they sell. Higher domestic prices would offer a partial solution to the problem.

Subsidy to Consumers: Not only do producers feel they are entitled to higher prices for the wheat used domestically on the basis of today's much higher costs of production and the higher standard of living enjoyed by Canadians, but they believe higher prices are justified on the basis of the extent they subsidized consumers for a number of years during and following World War II. During this period the Government, intent on holding down the cost of living, froze wheat prices at levels well below what could have been obtained on the export market.



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From the time the Winnipeg Grain Exchange was closed in September, 1943 until part way through the 1953-54 crop season, when world or Class II prices for wheat fell to the same level as those applying under the International Wheat Agreement, the bread consumers of Canada were able to buy their wheat for a lesser price than the wheat could have been sold on the world market.

This is borne out by the following figures.

We have three columns here again. Under the first column we have the price to the domestic mills and then we have the price to the United Kingdom, and then the average price for Class II Wheat, which is generally known as the export price, as far as Canadian wheat is concerned.

In 1943-44 the price to the domestic mills was \$1.25, and in 1953-54 it was \$1.86, and in the next column the price to the United Kingdom started at \$1.25 down to \$2, which was under the Canadian-U.K. contract price, which was for a five-year period, 1945 to 1950. The price was \$1.55 to \$2 a bushel for the last two years under the Canadian-U.K. Wheat Agreement.

Then we have the price under the International Wheat Agreement sales. We took down from the year 1950 to 1953 and it has varied from \$1.91

in 1950-51 to \$1.86. We stopped at 1953-54 because the price to domestic mills, the price to the U.K. under the I.W.A., the I.W.A. and Class II price have been all the same 1953-54.

The source of these tables are operations of the Canadian Wheat Board published by Canadian Wheat Pools and the Grain Trade Yearbook.

Year	Price to		Average Price	
	<u>Domestic Mills</u>	<u>United Kingdom</u>	<u>Class II</u>	
	- Basis 1 Nor.at Ft. Wm. - Port Arthur -			
	(cents per bushel)			
1943-44	125	125	141.6
1944-45	125	125	147.9
1945-46	125	155	155
1946-47	125	155	243
1947-48	155	155	288
1948-49	200	200	223
1949-50	200	200	216
				Price to
				I.W.A. Sales
1950-51	191	191	212
1951-52	182	182	233
1952-53	185	176	216
1953-54	186	186	186

X Prices fixed by Federal Government.

XX Price advanced to \$1.55 on February 17, 1947.

Source: Summary of Operations of the Canadian Wheat Board published by Canadian Wheat Pools, and Grain Trade Yearbook.

It is impossible to place a dollar value on the extent of this subsidization, but on the basis of domestic consumption running from 45,000,000 to 50,000,000 bushels annually, it would amount to



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many millions of dollars. Canadians are generally unaware that this subsidization actually took place over a ten-year period and of the extent to which they benefitted.

Going back to that table, all you have to do is compare the prices to the domestic mills with the average price for Class II wheat and it is a very substantial figure.

Wheat producers feel it a sound reason for instituting a system under which they would receive somewhat more than the export price for wheat sold for human consumption in Canada.

Scope of Inquiry: It is obvious from the figures given in this presentation that wheat prices are in no way responsible for the increases which have occurred in the price of bread over the past decade. We feel that a great many consumers do not understand or appreciate the small share of the bread dollar the farmer is getting for the main constituent which he supplies. Notwithstanding the fact that the farmers' costs of operation have risen to the highest level in history, wheat is being supplied for human use in Canada at lower prices than was the case eight years ago.

It is our hope that in your investigations you will take a very close look at the costs making



up the difference between the farmer's price for wheat and that which consumers must pay for their bread. It is recognized that there are many intermediate steps between the primary product -- wheat -- and the finished food -- bread. No doubt in each of these steps rapidly rising costs have been encountered but neither the producer nor the consumer is in a position to judge whether the existing wide marketing margin is justified. With your wide experience and knowledge of the problem, with your well qualified research staff, and with the statistics available to you, we believe your Commission is admirably suited to do this important job. Both producers who grow the wheat, and upon which their livelihood depends, and the consumers who spend millions of dollars for bread each year, will be interested in the results of your study.

THE CHAIRMAN: Thank you Mr. Harrold. Quite obviously we are going to be pretty deeply involved in the statistics in typical analysis, and we are beginning to appreciate what a jungle it is to get lost in. I have a point I would like to make about your first table on page 3. I don't wish to appear that this is any particular criticism. It is merely an illustration of the kind of problem that we will have to deal with on the statistical



basis.

Would you agree that for our purpose an index of prices relating to crops or products of the kind grown in Canada would be rather more significant than an index which included imported crops or products?

MR. HARROLD: Well as far as I know, these figures here are just crops grown in Canada.

THE CHAIRMAN: As a matter of fact they are not.

MR. HARROLD: Oh.

THE CHAIRMAN: This is the point that we feel it would be probably more relevant to our problem if we were able to take out of these particular indexes the prices of products which are not grown in Canada. Things like cotton, tea and citrous fruits, and we asked our research people to do this for us, and we have a revised index which does this, and the only thing I want to point out is this index shows that food prices, the index has not risen recently in the form in which your chart shows it has. Now this is not the general impression of this chart, but we thought it would be rather more significant to take things like cotton, tea and citrous fruits out, and when you do that, you do get a slightly different conformation. This diagram and the food products do not turn up at the end in quite the way



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Mr. Harrold

your chart shows that they do. I can assure you I mention this only to show the sort of problems you are up against in working with these things, and is not in any way a criticism.

MR. HARROLD: I quite agree with you. We have had many arguments from time to time as to what should go into D.B.S. figures in certain charts, and I wasn't responsible for this particular chart here. I assumed that those were all under the -- the second two columns at least were crops that were grown in Canada. Now I may be wrong. I will certainly take your analysis of the first column, but don't the last two columns, are they not just crops that are grown in Canada?

THE CHAIRMAN: No, I don't think so. Certainly the consumer food prices includes prices of products not of Canadian origin.

MR. HARROLD: Yes, it would change the effect of the graph if it includes imported products as well.

THE CHAIRMAN: Mr. Dawson has corrected me. The farm price and field crop prices are only products grown in Canada.

MR. HARROLD: That is what I thought.

THE CHAIRMAN: But the consumer price includes imported material, and it is that shape



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Mr. Harrold

of the consumer food price curve which is a little different if you take these exotic products out. Please don't think that this is any criticism.

MR. HARROLD: I will concede that I don't think the two lines will come together.

THE CHAIRMAN: They certainly do not. Just to show you that sometimes D.B.S. can help your cause, I would like to point out that we have the explanation of Mr. Perrault's figures, the economic analyst to include at least the provisional estimate for 1957. This is the farm share of the retail cost, you have a lower table on that, and your last figure is 14 per cent for 1956. Mr. Perrault's last figure is 12 for 1957.

MR. HARROLD: Good, I will agree with him on that.

THE CHAIRMAN: I expected you would. Might I say, we will -- before we are through with these, we will I am sure learn something about the jungle of statistics.

I have one or two other questions that I would like to ask for the record Mr. Harrold. The revenue of the Alberta Wheat Pool is now derived substantially from the handling charges and the storage charges?

MR. HARROLD: That is correct.



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Mr. Harrold

THE CHAIRMAN: Have you any other revenue to your organization other than these payments for these functions?

MR. HARROLD: Not whatever.

THE CHAIRMAN: Straight handling charges and storage charges?

MR. HARROLD: That is right.

THE CHAIRMAN: These are set by the Board of Grain Commissioners?

MR. HARROLD: Well that is correct to a point. The maximum which we can charge is set by the Board of Grain Commissioners, but when it comes to the national charges that are levied, it is a matter for negotiation between the grain companies and the Canadian Wheat Board. It may be lower than the maximum on a number of occasions so that the storage charges, for instance, up until this year was 1/35th of a cent, and the maximum allowed was 1/30th of a cent a day.

When it comes to a handling charge, we are quoting here, actually it is an elevation charge, and in addition to that our handling charge with the Canadian Wheat Board on wheat alone, for instance, is now 4-1/2 cents which takes into account your elevation charge, your commission and other charges which are allowed, such as insurance, and so on, as



a necessary charge in order to cover your cost of operation, so that the Board of Grain Commissioners sets the maximum under which we must operate but our final agreement as to handling charges and as to storage charges is with the Canadian Wheat Board.

THE CHAIRMAN: I see you have indicated here that the handling charge has increased over the last 10 years, and that the allowed storage charges are being reduced from 1/35th to 1/30th of a cent. How do you account for this unusual phenomenon over these years?

MR. HARROLD: Well as far as the grain handling organization, we are very proud of the fact but the main reason of course is the terrific amount of storage that is involved in volume today, compared with 10 years ago. We have maintained for a number of years now that the national handling charge does not cover the cost at all. If it was not for the storage revenue that we get our handling charge today would have to be much higher than it was 10 years ago in order to cover the cost of operation, because our costs have certainly gone up, but it is the volume of storage that is keeping the handling charge lower at the present time.

THE CHAIRMAN: On the same page, page 6 you have a reference to the Crow's Nest Pass Agreement



and the freight rates under that Agreement, but these are for export as you point out. Surely the significant rates for the domestic consumer are the domestic rates?

MR. HARROLD: That is true. The bulk of our grain, of course, goes for export and any grain that goes east of Fort William goes under the Crow's Nest rate, as far as milling grain is concerned, as well as export grain, when we are talking about the wheat, and the same for course grain. It is just within the Prairie Provinces, that your domestic rate applies as far as grain is concerned, so that by far the majority of our grain travels under the Crow's Nest Pass Agreement.

THE CHAIRMAN: Yes, it just seemed that you were putting too much emphasis on domestic consumption, the price of wheat and the price of bread; that the relevant rate would be the domestic rate.

MR. HARROLD: Only on that that is used in Western Canada. Of course the domestic rate from Fort William to Ontario for instance has increased tremendously as far as wheat that is growing down there for domestic consumption is concerned, but it is one of the smaller factors I presume in the overall cost of the price of bread.

THE CHAIRMAN: It occurs to me that when we were in Vancouver that the case was made that



this difference between the export rate and the domestic rate was a significant factor in the cost of living in Vancouver. There is a sentence on page 11 that worries me a little bit, sentence beginning the long paragraph in the middle:

"It is apparent that the people of Canada are receiving wheat at a comparatively low price."

Do you have in mind there that you have been pointing out the wheat prices have been falling where the others are rising. Is it in this sense you mean a "comparatively low price"?

MR. HARROLD: That is right.

THE CHAIRMAN: On page 9 where you have the final price for the producer, and then on page 12 you have farm operating costs, could I ask you the first question in relation to the table on page 12. I should know the answer to this, and I can easily get it, but I presume that this indicates here farm operating costs is based upon a fixed quantity, weighting of different things to which change in prices are applied?

MR. HARROLD: Yes.

THE CHAIRMAN: So it is an index of the cost of the fixed combination of things which are



used by the farmer?

MR. HARROLD: That is right. That is a D.B.S. figure there again on the top of page 12, and they show a farm operating cost for Western Canada, and a farm operating cost for all of Canada, and if I understand it it is a weighted figure.

THE CHAIRMAN: Now this runs from 1947 to 1957. There have been very considerable technological changes in the production of wheat and in the methods of production of wheat on the farm in that 11-year period, have there not?

MR. HARROLD: Yes.

THE CHAIRMAN: Most of the mechanization of any -- a very large part of it took place after the War when these things became available. Is it your conclusion that this is a factor on the part of the unit cost of things tending to reduce the cost of producing things?

MR. HARROLD: I would say that immediately after, when our mechanization was comparatively cheap to what it is ten years later, that it did reduce the cost of producing a bushel of wheat, but I think that if you consider that farm machinery has gone up almost 100 per cent since the last of the War, a combine of comparable size is now twice what it was immediately after the war. Farm tractors,



and all farm machinery is just about double what it was immediately after the war, that this figure of farm operating costs is justified on that basis, that the mechanization of which you speak while initially it gave a reduction in overall cost of producing a bushel of wheat, I think the tremendous increase in the past 10 years have meant that as far as costs are concerned it cost us more to produce a bushel of wheat now than it did before the War when labour costs were cheap and we were doing it by another method.

There are other things, of course, besides machinery that are included in the cost of producing a bushel of wheat, such as, you know, taxes and labour and all those things, but the price of machinery and the upkeep and repairs is the main cost in producing a bushel of wheat, because it is all produced mechanically now, with mechanization.

THE CHAIRMAN: I am not quite sure that my next two questions are going to be fair questions, and you can dodge them if you like. Are you a wheat producer yourself?

MR. HARROLD: Yes sir. Not entirely. I have a mixed farm.

THE CHAIRMAN: On page 9 this table in regard to the final price to the producer, are you prepared to concede that if the producer could get



a price of \$1.50 per bushel of all the grain that he produces today, he would do pretty well?

MR. HARROLD: No, because these prices, the final price to the producer here are on the basis of Fort William and Port Arthur, and we had another set of figures some time ago which showed the final price to the farmer, and here we have the average price of wheat in Alberta which is in relation to 100, but it doesn't give the actual price per bushel.

On the top of page 9 you would have to in Alberta take off about 22 cents, anywhere from 22 cents a hundred, around 15 or 16 cents, and this is the basis of No. 1, in order to arrive at the figure for the average return, because very few farmers average No. 1 for a number of years. You would find the average price in Alberta possibly \$1.20 per bushel. But following your question a step further, if they were getting \$1.50, in effect they have been selling most of their grain; the carry-over figures have been down over 100 million bushels over last year. So that the grain producer has been selling most of his grain -- while he hasn't been selling it at \$1.50 in the last four or five years, he has been selling it somewhere in the neighbourhood of \$1.20, \$1.525, and at least in northern Alberta they have been selling practically all they are



producing at that figure, and possibly another 30 cents, arriving at \$1.50, which might make the difference between getting by and a profitable organization; but I doubt if anything less than \$1.50 would get by today.

THE CHAIRMAN: \$1.50 at the farm.

MR. HARROLD: At the farm.

THE CHAIRMAN: Can you tell me for my information, something about the selling policies of the Board? Do they, in fact, sell at different prices, say, to domestic buyers and export buyers or do they not?

MR. HARROLD: No. For the last number of years it has been one price for export or for domestic consumption. There was a slight variation of that in that they reduced the price out of the Atlantic for a certain length of time in order to compete with some wheat that was being sold in the form of flour from the United States, but outside of that, one price policy has been in effect since -- I have the table here which shows it, that since 1953, 1954 it has been one price, I.W.A. and domestic. It has fluctuated, not too much, but it has been reduced from time to time in the last three years especially, but it fluctuates very little during the year.



THE CHAIRMAN: This table on page 13, the right-hand column, the average price Class II is inserted, I think you said it would represent an export price.

MR. HARROLD: Yes.

THE CHAIRMAN: Where were these price quotations obtained, how were these price quotations obtained?

MR. HARROLD: These are Fort William, Port Arthur prices for export to all countries which were not signatories to the I.W.A.

THE CHAIRMAN: They were quoted on the Grain Exchange?

MR. HARROLD: No, not on the Grain Exchange. The Wheat Board issued a price list, and it was on this basis of price to International Wheat Agreement countries and the price to all other countries which was known as a Class II price.

THE CHAIRMAN: And sales actually took place at those prices?

MR. HARROLD: Oh, yes, and those are the average prices for the year.

COMMISSIONER WALTON: Were they insignificant quantities in relation to the I.W.A. sales?

MR. HARROLD: In some years they were; in 1951-52 and 1952-53. I have a lot more tables



with me here if you wish me to go into that as to volume, and in these two particular years we exported a large volume of grain, and they were quite substantial outside of the I.W.A. as far as these prices were concerned.

THE CHAIRMAN: If later we feel we would like to get amplification or supplementary information from you, would you be willing to have us write to you for that?

MR. HARROLD: Certainly.

THE CHAIRMAN: It seems to me what you are suggesting here is that because during this earlier period certain contract prices were entered into below market price, such as average price Class II, you may get an entirely different situation when export prices come to be low.

MR. HARROLD: There should be some compensating action to be taken.

THE CHAIRMAN: What I should like to ask is whether, looking ahead over a period of time, you have this idea of a variable relationship at times when the export price is high the consumers at home might get a lower price, and when the export price is low you would want a higher price on the domestic market? Is it these variable prices or do you want a higher price to the export consumer?



MR. HARROLD: I think our organization and the Federation of Agriculture as well for a number of years have been in favour of the two-price system for wheat in Canada as compared to export, and you suggest we would want to work it both ways, in other words --

THE CHAIRMAN: I was just asking.

MR. HARROLD: We have been on record, I believe, as objecting to a lower price for Canadian consumption for some time, that is when we are able to export it at a higher figure, on the basis that at least in the least 10 years the consuming public in Canada could afford a price as well as the export price that we were able to get. This was Government policy that the price was held below the export price. We would negotiate a price, I presume, but certainly I think that we have suggested that certain other prices in Canada should be set, and we would be prepared to contract a price for Canadian consumers and stick with it even if the export price went higher. But we don't feel it is fair to hold it down when we can get a higher price elsewhere, and refuse to hold it up when price starts slipping. As far as domestic consumption is concerned, it should fall on the market, but if it is down at some periods, then it should be held up in our opinion. If it is going to be at



negotiated or fixed price, it should be over a long-term basis.

THE CHAIRMAN: What could have happened to wheat production during that period if the open export market price had prevailed?

MR. HARROLD: Well, we have always been in the position since 1942-43 that control on production has been the amount that you are able to deliver.

That has been one of the main differences between our production of wheat in Canada and the United States. They had a higher price for wheat but if they couldn't deliver it, the Government was prepared to buy it on the farm.

Our farm organization have never suggested -- at least our organization has never suggested that if the price was higher that an unlimited quantity would be taken. It would be just what the market would absorb, and that would be your control on production if higher prices prevailed, the amount that could be delivered at that higher price.

THE CHAIRMAN: Thank you.

COMMISSIONER DRUMMOND: Mr. Harrold, you mentioned at the beginning of your brief, that the Alberta Wheat Pool represented 50,000 farmer members not only in Alberta, but also in Peace River, and the Creston areas on B.C.



Just for our information, how many are in B.C., roughly?

MR. HARROLD: I am afraid I could not give you that in exact figures. We have two elevator points in the Creston area, and in the B.C. block there wouldn't be any more than 5,000. It would only be two places, mostly in the B.C. block. The Creston area would be very limited, two elevator points would possibly be 200 producers, maybe a little more. It would not be over 5,000.

COMMISSIONER DRUMMOND: On page 2, about the middle of the page, you say "The standards set and the competition provided, we feel, have helped all the grain producers of this province to receive a better return for their grain."

However, at the bottom of page 6 you state "Thus, with maximum handling charges set by the Board of Grain Commissioners, with freight rates established under the Crow's Nest Pass Agreement, and with the presence of strong producer-owned co-operatives, the marketing margin between country and terminal elevators has remained low."

Would you care to pass judgment as to the relative parties to each of those three factors, that you list there and the part they have played in keeping that margin down?



MR. HARROLD: Well, I would like to put my most emphasis on the last one, myself. I think the figures that we have produced here have shown that our charges, as far as an elevator handling company is concerned, have not increased in the 10 years under review, and the freight rates, of course, have nothing to do with the handling charges. So that the maximum handling charges set by the Board of Grain Commissioners and the strong producer-owned co-operatives are the two factors that could change, as far as handling charges are concerned.

We have returned everything over and above the actual cost of operation to our producers, and as was mentioned earlier in the brief, it has totalled something over \$21 million in the 35 years that we have been in operation, so I do not know that I could give either one of them although I would prefer to say that the last one has had the more influence.

COMMISSIONER DRUMMOND: Let us assume for the moment that is the case. Would you say that the last one, the operation of a strong producer-owned co-operative, had exerted its influence primarily as a competitive operator to increase competition or through achieving economies in performing some of the functions or both?

MR. HARROLD: Well, I would say both because



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Mr. Harrold

I can only suggest that a comparison could be made, as far as our organization is concerned, with a before and after study, and we know that some of the spreads prior to 1923 when the Alberta Wheat Pool was organized -- for instance, there was a street spread between wagon-loads and carloads of wheat as high as 15 and 16 cents a bushel. Today there is no spread at all.

There were spreads on tufts in a similar manner somewhere between 12 and 16 cents depending on the season. Today the tuft spread is only 4 cents, so that I do not know whether you can pin-point it to either one of them.

I know this much can be said: Going back to 1923 we have the Board of Grain Commissioners which set the maximum rates at that time, but still in all the marketing factor was there, and what might be considered a reasonable margin or a favourable statement at the end of the year in 1923, when they arrived at maximum handling charges, under present conditions, might not have been looked on in the same manner; but I think that both have been a factor in keeping handling charges down.

COMMISSIONER DRUMMOND: On page 3, you graph shows, very graphically, I would say, that the three sets of prices you listed here separate much more pronouncedly after 1952 than before.



In other words, they stay together reasonably well up until that time, then they separate very broadly. Can you think of anything at all that may explain why they separate so much more in the latter period, than in the first half of the period?

MR. HARROLD: Well, in 1951-52, agricultural products reached their peak, as far as agriculture was concerned. They have receded ever since. As far as wheat is concerned, there are a number of reasons. The stocks of wheat built up in 1951-52. The United States, commencing about that time, dropped the price of their wheat and then instituted some of the policies that are in effect at the present time, such as the Public Law 480 and so on. The price of wheat steadily declined.

Certainly, as far as food prices are concerned, if you take out certain ones that are imported, as Dr. Stewart suggested, they have stayed constant while all farm products have been going downward ever since 1951-1952. It is as simple as that, I believe.

I might add, as far as livestock is concerned, certainly the cattle industry, hoof and mouth in the Spring of 1952 started a decline of livestock prices, and it stayed in effect for a number of years.

COMMISSIONER DRUMMOND: There is a sentence



there on page 8 -- I am not quite sure I can see the full impression of its meaning. The second last paragraph, the last sentence: "This decline is in part due to the steady increase in the marketing margin shown in the preceding table, and partly to the decline which has taken place in the price of wheat." What I am wondering is, is whether the decline that has taken place in the price of wheat is not in itself part of the change in the marketing margin?

MR. HARROLD: No, I think it is just partly that because it takes between 50 and 60 cents in the price of a bushel of wheat to make a cent difference in the price of bread, so that your marketing margin here, starting with 1949, of course, has increased almost 4 cents in that period, whereas the price of wheat has gone down less than one cent of that, about half a cent.

COMMISSIONER DRUMMOND: The only other point I was going to ask you about, I think in answering Dr. Stewart, you have pretty well explained it already, where you emphasize the need for an increase in the price of wheat. Prior to that, you indicate that the farm costs are going up at the same time the price of the product is going down, and the thing you suggest in order to alleviate the situation is it needs some increase in the price



of the product. Do you think there is any possibility, you do state here that is only part of the solution, do you think there is any possibility of looking at the other side of the picture, was to concede any possibility of reducing these operating costs at the same time?

MR. HARROLD: Well certainly I would be glad to hear any suggestion, or a way how to do it. I have not as yet heard how it can be done. Every year taxes go up. Fuel is one thing that has not gone up too much, but machinery prices go up year after year, so that at the moment there doesn't seem to be a hope of reducing costs.

Labour goes up every year. If you would suggest any one item that I can work on, I might give an answer in the affirmative, but I don't see any way of them going down in the immediate future.

COMMISSIONER DRUMMOND: That is all I wanted to get were your views.

COMMISSIONER MacKICHAN: Mr. Harrold, on page 12 in the second last paragraph, you mention where prices were frozen at less than might have been obtained in the export market. Am I correct in recalling that there was something like \$65 million put in to equalize that at one time by the Federal Government? Am I wrong in my connection here?



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Mr. Harrold

MR. HARROLD: In the second last paragraph?

COMMISSIONER MacKICHAN: On page 12.

MR. HARROLD: Well the \$65 million was not put there because prices were frozen. There was the famous "have regard to" clause in the British, U.K. -- Canadian Wheat Agreement, and at various times it was explained to the producer that it meant what it said, that if the price in the first two years did not have the proper relation to the world price, there would be some consideration given in the last two years to make up for it, so that in a way it didn't have anything to do with the price freeze that was put into effect, or the price ceiling that was put into effect because of the war.

COMMISSIONER MacKICHAN: It did help the situation didn't it at the time?

MR. HARROLD: It did. It amounted to about 5 cents on the bushel on that particular quantity of wheat.

COMMISSIONER KIDD: On the first page, at the bottom Mr. Harrold, you say, it will give them a return more or less in line with the returns in other occupations and businesses. What did you have in mind there?

MR. HARROLD: Well that is a general statement. I think that any figures that are issued showing



the percentage of the national income that the farmers get compared with other groups have, at least, agriculture has felt for some time that they do not get their fair share of the national income. That is their way of expressing it. Somewhere in the neighbourhood of 18 to 19 per cent of the population gets about 7 or 8 per cent of the national income. That has declined in the last year or so, but the percentage of people on the farms is going down steadily, and in general terms we feel that agriculture is entitled to a little better percentage of the national income than that share.

I think that if you examine it on the basis of -- I know that I am getting on dangerous ground here, when you say that a group that is doing a certain line of business is entitled to the same wages as another one, but in the overall picture I think that agriculture is certainly entitled to more than a share of the national income than they have been getting in the last number of years. On the basis of those figures that I mentioned, that 8 per cent of the population gets 7 or 8 per cent of the national income, we feel it is not enough.

COMMISSIONER KIDD: Then you think in terms in proportion of national income, gross national products you are not -- what I was trying to get at, what I was wondering, was what you had in mind



as being fair and reasonable returns to these other groups? How you could judge that sort of thing. Possibly you have not made any judgment on it.

MR. HARROLD: We have published from time to time by the D.B.S. different earnings of the different groups on the basis of income tax returns, I don't know as a general rule what group you could compare them with, and say that they should get the same -- except to return to generalities in saying that agriculture has not a big enough share of the national income as a wage earning group or as a management group, either one. Whether any group is satisfied with their share is another question.

COMMISSIONER KIDD: I just noticed recently that the comparison of the national income going to wages and salaries has declined in the same period, 1947, so I was trying to get at some comparison in here which would give us an idea of prices of who gets what. In another case here you have given a loaf of bread 3.1 cent of the retail price of 19 cents goes to the producer of wheat. Have you any comment on what you think the return there should be?

MR. HARROLD: No, except to say that when we suggest a two-price system of wheat, we could increase the price, we have asked the price of



wheat for several years now that would be at the unit of the International Wheat Agreement, somewhere in the neighbourhood of \$2.05 a bushel. This would increase the price of a particular bushel possibly by one cent a loaf, which would make a difference to the producer as far as his returns were concerned possibly in the neighbourhood of 5 cents on the bushel, 5 to 6 cents on the amount that has been sold in the last two or three years. I don't think you can go at it the other way by saying what per cent of the loaf of bread the farmer is entitled to, but certainly if you increase the price of wheat by 50 cents a bushel, you only increase the price of bread by one cent, which would seem reasonable. It would not be too large an increase for the consuming public in Canada to bear.

COMMISSIONER WALTON: Do you differentiate in the domestic price? You just keep it to bread, to human consumption not feed?

MR. HARROLD: That is right. The wheat that came to the millers would be sold at a different price than went to livestock feeders, for instance.

COMMISSIONER WALTON: And industrial purposes and feed?

MR. HARROLD: Yes, that is right.



Industrial purposes, well, there is a small amount used which is also used for human consumption as far as industrial purposes are concerned.

COMMISSIONER WALTON: I don't believe it comes within the terms of our reference.

COMMISSIONER DRUMMOND: By increasing the price of wheat, what effect do you think that might have on reducing production, if any?

MR. HARROLD: Well, as I mentioned before, the brake on production in Canada today is the amount you can deliver, and it is not a matter of whether the price is \$5 a bushel, if you can't deliver it, you don't get it. That is all there is to it. It would make the term picture more valuable I presume, but if the price of wheat was increased to \$2.05 a bushel, which is something less than 50 cents -- it is now around \$1.65, it would make an increase in the amount that has been sold or delivered by the farmer of somewhere in the neighbourhood of 5 to 6 cents a bushel on all the grain that was delivered. All the wheat I should say.

COMMISSIONER DRUMMOND: The other point may have some significance is this, we are primarily interested in the spread problem. Supposing you got the extra price for wheat, on the farm wheat, what effect do you think it might have on the spread?



Would it have any at all?

MR. HARROLD: Well as far as the spread from wheat to bread is concerned, as I mentioned it would make a cent of difference, one cent.

COMMISSIONER DRUMMOND: It would increase the price of bread?

MR. HARROLD: Of bread by one cent, which would not necessarily change the spread at all.

COMMISSIONER DRUMMOND: The spread would probably remain about the same?

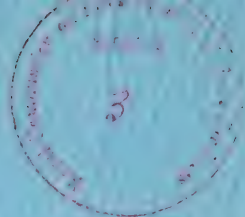
MR. HARROLD: Yes.

THE CHAIRMAN: Well we are very grateful to you. We are sorry to have gotten this far in our hearings without having representations from the wheat growers on this subject. We are grateful to you for the preparation of this submission, and coming in and giving it to us. Thank you very much.

We will now adjourn until tomorrow morning, when we will receive the brief from the Alberta Federation of Agriculture.

The hearing adjourned at 4.30 to resume the following day, Tuesday, April 15th, at 10 a.m.

McArthur



ROYAL COMMISSION

ON

PRICE SPREADS OF FOOD PRODUCTS

HEARINGS

HELD AT

EDMONTON,

ALTA.

VOLUME No.: 1958-1959 OF PRICE SPREADS OF FOOD PRODUCTS DATE:

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ROYAL COMMISSION ON PRICE SPREADS
OF FOOD PRODUCTS

Proceedings before the Royal Com-
mission on Price Spreads of Food
Products resumed at 10 a.m. on
Tuesday, April 15th, 1958, at
Edmonton, Alta., et seq.

CHAIRMAN:

Dr. Andrew Stewart

COMMISSIONERS:

Mrs. Dorothy Walton
Mr. J. Howard MacKichan
Mr. Romeo Martin
Mr. W. Malcolm Drummond
Mr. Cleve Kidd
Mr. Bernard Couvrette

Secretary - John Dawson

Assistant-Secretary - A. A. Caron



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APPEARANCES

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Alberta Federation of Agriculture

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Mr. McFall
Mr. Winkelaar
Mr. Bentley
Mr. Palowski
Mr. Dahl
Mrs. Armstrong
Mr. Harris

EXHIBITS

EXHIBIT NO. 14:

Submission of the Alberta 53
Federation of Agriculture.



THE CHAIRMAN: We will come to order. We will hear the brief from the Alberta Federation of Agriculture. This is Exhibit No. 14.

EXHIBIT NO. 14: Submission of the
Alberta Federation
of Agriculture.

Mr. McFall, you are the Secretary of the Federation?

MR. McFALL: Yes, sir.

THE CHAIRMAN: And you have with you a number of people: Mr. Winkelaar of the Alberta Livestock Co-operative Limited; Mr. Bentley, Vice-President of the Alberta Federation of Agriculture; Mr. Pawlowski of the Alberta Honey Producers Co-operative Limited; Mr. Dahl, Director of the Alberta Sugar Beet Growers, and yourself.

MR. McFALL: Yes, and there is Mrs. Armstrong, and there is Mr. Harris, one of our directors.

THE CHAIRMAN: Yes. Well, we will be glad to have these people participate after you have read the brief into the record.

MR. McFALL: The Alberta Federation of Agriculture welcomes this opportunity of appearing before the Royal Commission on Price Spreads of Food Products. We appreciate the privilege of



of presenting our thoughts and our concern regarding various aspects of price spreads, and marketing policies in relation to price spreads.

First, we feel it is important that you understand our relationship to Alberta farm people through our member organizations. The Federation of Agriculture, as the name implies, is an association or federation of organizations. During 1957, our member organizations were 48 in number. The qualification for membership in the Federation is that the member be farmer-owned and controlled, having as its objective the welfare of its members in one particular branch of our industry or dealing with agricultural interests as a whole.

Our Board of Directors are 12 in number and are elected by groups representing commodity interests such as grain, dairying, poultry, livestock, sheep and wool, seeds and bees, sugar beets and farm supplies; as well as the general farm organization, the Farmers' Union of Alberta.

The Alberta Federation of Agriculture, through its annual meeting and its Board of Directors representing all branches of our industry, endeavours to serve as a consolidating and co-ordinating body. In other words, any policies endorsed by the Federation have first been brought forward by member



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Mr. McFall

organizations and have at our annual meeting received the endorsement of all branches of our industry. This type of approach resolves conflict of interests between commodity groups and helps to build policies in the general interest of agriculture.

It is our objective that we at all times seek to serve the greatest number for the greatest food. It is also our objective that we assist in promoting self-help programs and policies as being the best means of achieving our first objective.

The Alberta Federation of Agriculture serves as the provincial unit of the Canadian Federation of Agriculture, and through that body we assist in co-ordinating farm policy at the national level.

We appreciate the fact that this Commission has been appointed to study the question of food prices as they are related to consumers and producers, and that it will review marketing processes and methods in relation to prices. It could well be that this field will offer the Commission considerable scope for study and constitute the basis for some worth-while recommendations.

At this point in our submission we wish to refer to the fact that many of our member bodies are co-operative organizations. They have been established by our farm people to perform, in relation



to food products, many of the services and functions that this Commission will be studying.

The objectives of these producer co-operatives have been, and are, to return to the producers as large a share as possible of the consumer food dollar, and in addition to the cost of production to try to secure a fair return to producers for their labour.

The policies adopted to achieve these objectives have been funnelled into two main approaches. In the first place they have attempted to reduce, and have accomplished this in many instances, what may be termed standard or statutory handling charges. Coupled with this approach has been the policy of keeping co-operatives on a competitive level with other businesses and returning to producers, in cash and reserves, any surplus over and above actual handling costs.

In many instances our co-operatives have not developed to the point where competitive factors have had much, if any, effect on price spreads other than to participating members. In other fields of endeavour we feel that competition provided by co-operatives has very definitely improved services and has assisted in reducing service charges.

The objective of our co-operatives; namely, that of trying to secure a fair return for the producer's



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labour, may be challenged by consumer groups as having a bullish effect on consumer prices. This may be true in principle but does not, in fact, apply in a country able to produce in abundance. On the other hand, it can be argued that the Canadian consumer has enjoyed a cheap food policy at the producer's expense, and should pay more. There is also the fact that co-operatives compete with each other as well as with the general trade for markets for their particular commodities.

The price relationship between what the consumer pays and what the producer receives is a seriously misunderstood issue, the reaction to which has been to the detriment of the producers. The repercussions that may arise from price spreads depend to a large extent on the buoyancy of our economy and the degree to which this buoyancy affects the consumers on one side and the producers on the other. The most rigid factor in the picture is undoubtedly the costs established by the trade which facilitate the transaction between producer and consumer. This on a per-unit basis in many instances may allow only a very small margin for gain over actual costs. On the other hand, this gain should not be excessive. The actual costs should be studied carefully: Are they based on efficient operation and thus essential,



or are they just frills based on consumer fads?
If this is the case, and frills are appreciated,
then the consumer public must pay for the tune called
or change its buying habits.

On the basis of the buoyancy of our economy
during the past 10 years the consumer public has had
very limited grounds for concern. The "Labour
Research", a monthly bulletin issued by the
Canadian Labour Congress, in quoting Dominion Bureau
of Statistics figures shows that the wage rate index
based on 1949 as 100 had increased to 148.7 by the
end of 1956.

The retail price index also using 1949 as
100 stood at 119.8 at the close of 1956.

Professor J.R. Cavers, in addressing the
annual meeting of the Canadian Federation of Agri-
culture held in Montreal, January 27 to 31, 1958,
referred to a study made by the Ohio State University
which showed the amount of meat and eggs that could
be purchased at retail, per hour of pay in the early
1950's compared with the 1930's, as follows:

Turkeys	74 per cent more per hour's pay
Chickens	67 per cent more per hour's pay
Eggs	53 per cent more per hour's pay
Pork	33 per cent more per hour's pay
Lamb	5 per cent more per hour's pay
Beef	0 per cent more per hour's pay

While we do not have comparable figures
for Canada, nor do we have these figures up to date,



we have reason to believe that the trend indicated in the above figures would apply in Canada at the present time.

The picture in relation to agriculture is different. The late Dr. E.C. Hope, as economist for the Canadian Federation of Agriculture, in presenting the "Agricultural Situation and Outlook" to the recent annual meeting of the Canadian Federation of Agriculture stated:

"Prices for farm products in Canada fell steadily from the peak levels of 1951 until the Spring of 1956. A modest recovery took place until the middle of 1956, but they have drifted a little lower since then. On the average they are now only a little above the low level of the Spring of 1956.

Farm costs fell slightly from 1952 to 1955 but have been rising since and are now about 3 per cent higher than the peak levels of 1952. The end result is that the purchasing power of farm products as a whole fell from 110 in 1951 to a low of 80 in the Spring of 1956; recovered to 85 in the summer of 1956; and have since fallen again to a low of 80. These figures



"express the farmer's overall parity position as far as prices are concerned.

The present level of 80 may be compared with an average level of 80 for 1923 following the severe deflation of 1920 to 1923 and a low of 61 reached in 1932. All the above data on prices and costs are based on an average level of 100 for the period 1925 to 1929."

Dr. Hope went on to say:

"The tragedy of the present situation in agriculture is that the decline in the farmers' position has been so prolonged (6 years) that urban people are becoming accustomed to cheap food in terms of current wages. They are beginning to think that present conditions are normal. They have little knowledge of the almost frantic attempt of the farming industry to adjust itself to the world situation in agriculture. It must not be forgotten that the plight of Canadian agriculture is not an isolated event, it is world wide in its scope, only varying in degree from country to country."

The farmers' share of the food costs is undoubtedly a disturbing factor. Mr. Roger Perreault,



in a recent edition of "The Economic Annalist", pointed out that the producers' share of the consumers' dollar has declined from 51 per cent in 1949 to 45 per cent in 1956.

Using 1956 statistics, Mr. Perrault lists 14 agricultural commodities which represent approximately 75 per cent of the retail cost of Canadian farm foods consumed domestically and shows the farmer's share of the cost to the consumer as follows -- and you have that table sir, which ranges from a high of 77 per cent and as low as 14 per cent for bread.

	%		%
Wheat flour	37	Creamery butter	77
White bread	14	Cheese	37
Beef	57	Potatoes	41
Pork	51	Canned peaches	24
Chicken	51	Canned tomatoes	18
Eggs, A large	74	Canned corn	17
Fluid milk	52	Canned peas	20

This last table indicates that the difference in price spreads varies greatly between the various commodities.

To the average consumer and producer these differences appear excessive.

It is not our purpose in this general brief to try to prove that they are excessive or otherwise. It is possible that in some instances the studies of the Commission will find them very much in line with services rendered. On the other



hand it is equally possible that some sections of the handling and processing trades are expecting more than a fair fee as profit and risk.

An interim summary at this stage indicates a number of points:

1. There is a wide spread in prices paid by consumers and those received by producers.
2. This spread has increased by 6 per cent since 1949.
3. Wages received by labour have increased steadily not only in total but in actual worth.
4. Our general economy, except for recent unemployment in some trades, is at a reasonably high level.
5. Agriculture on a world-wide basis, and particularly in Canada, is experiencing lower prices in the face of higher costs.

We will now attempt to deal briefly with a few aspects in relation to some commodities that are of particular interest to our farm people.

Wheat - flour and breads: In dealing with these commodities it is not our intention to go into detail as the Alberta Wheat Pool will present a separate brief in this regard. We do, however, wish to refer you to Exhibit "A". The information contained therein would indicate that



there is something definitely wrong in the price relationship between wheat and bread.

With bread being a basic food commodity and wheat one of the basic sources of farm income, we suggest that the Commission give the price relationship of these commodities most careful study.

Fluid Milk: Fluid milk is another basic food commodity that looms large in the consumer's food budget. However, this commodity is unlike wheat and bread in that it does show a definite price relationship between what the producer receives and what the consumer pays. Not Exhibit "B".

This is undoubtedly because the price of fluid milk in Alberta, or rather in the major cities of Alberta, has since 1933 or 1934 been the responsibility of the Board of Public Utilities Commissioners. This Board has followed the practice, when either the producers or distributors (and at their option, the consumers) have asked for a change in the price of milk, of holding public hearings, and at these hearings the producers submit their case which since 1940 has been based largely on a cost-of-production survey which has been operative in the province in the various milk sheds. The distributors are able to base their request for an increase on the information an accountant is able to



compile from their own books and records. The Utilities Board on hearing all the evidence then sets a minimum price to the producers, which will vary from one milk shed to another depending on local production costs. The Board also sets a minimum selling price at which the distributors can sell milk. These prices also may vary depending on local processing and distributing costs.

I think it is safe to say that for the past 25 years the prices set by the Utilities Board as a result of these hearings, which have been held from time to time, have given the Alberta producers a price for their milk that compares favourably with that in any major milk shed in Canada, and have also given the Alberta consumers as low-priced milk as any other consumer group in the larger Canadian cities. This simply means that the Alberta method of having the Board of Public Utilities Commissioners set milk prices has kept the spread between the price the consumer pays for milk and the price received by the producer as low as, or lower than, in any other Canadian city of comparable size.

It should be pointed out that the Utilities Board in the order it issued effective June 16, 1957 did not set minimum consumer prices, but made a condition of the order a clause that prohibits any



distributor from selling milk or milk products at a loss, which is still at least an indirect minimum price.

Livestock: In the co-operative livestock marketing field we have the Alberta Livestock Co-operative Limited. This organization serves as a central selling organization with selling agencies at the Edmonton and Calgary yards. Working in conjunction with the central body we have local and district shipping co-operatives.

The policy of this combined set-up is to assemble the livestock at local points as efficiently and economically as possible and sent them to the central markets where they are sold on the open competitive market or on a negotiated price. In most instances they are sold by public auction.

The disturbing feature in the livestock marketing picture is the determined effort to by-pass public markets and to deal directly with individual producers.

There appears to be a growing tendency on the part of processors, who are the buyers of livestock, to establish as many individual sources of supply as possible rather than to allow this stock to find its way to the central or terminal markets. In order to effect this every packer-buyer



has set up buying stations on all the main roads leading to the public market in Edmonton, each of which must cost a considerable amount to maintain. Besides the buildings and equipment that must be maintained there is the expense of employing from one to, in some instance, four men including an experienced and comparatively high salaried buyer.

Besides the above, all packers are paying commissions to truckers operating under a PSV license as an incentive to deliver stock direct to the packer rather than to terminal markets. These bonuses or commissions amount to from 25 to 50 cents per hundredweight on hogs, and no doubt more in some instances.

There is a further duplication of expense in the handling of livestock from farm to processor, in that at practically every point in Alberta from which a reasonably good movement of livestock originates there are as many as 3 or 4 drovers in addition to the Co-operative Shipping Association, whereas actually only one shipper is necessary.

Sugar: Sugar produced in Alberta is another commodity for which there is a definite relationship between consumer prices and the prices paid to the producer of sugar beets.

The sugar beet growers of Southern Alberta



have a unique organization and an unusual contract arrangement with the Canadian Sugar Factories Limited.

While the organization is not a co-operative, it is probably the most nearly true co-operative farm organization in Canada. This is true not only as a group of producers but also between the sugar processors and the growers in sharing the returns from the sugar.

Early in the history of the beet industry in Alberta the growers were prepared to share with the company the risk of producing sugar from beets, in order to get a better price for their crop. So the guaranteed price per ton for beets paid by the company was replaced by a 50-50 contract, 50 per cent of the net returns from sugar to the grower and 50 per cent to the company.

When mechanization came into full use in producing sugar beets, farmers' costs were much higher than they previously had been. The contract was adjusted periodically until the growers received 58 per cent of the returns from the sugar and the company got 42 per cent.

A new division was arrived at after the war years when sugar was released from Government price control.

Under wartime control, when sugar was in such



short supply due to cargo losses from submarine attacks on shipping, the Alberta sugar beet growers did an outstanding job of producing sugar for Canada. In order to keep sugar at a reasonable price in Canada the Government came into the picture by paying subsidies to the industry. It allowed the company only enough to show a reasonable profit and the balance was paid to the growers to encourage greater production.

Under this Government control the growers were entitled to and were getting over 65 per cent of the combined selling price plus Government support, and the company about 35 per cent.

After the controls were released the growers were able to negotiate a better contract than they had previously held. They arrived at a division of 63 per cent to the growers and 37 per cent to the processors for the 1948 crop. This division has remained in force since that time and seems to be quite fair to both parties concerned.

Honey: Honey is another food product that is handled, in part, by producers through a co-operative.

The following statement, as prepared by the Alberta Honey Producers Co-operative Limited is a producer owned co-operative, organized primarily



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to provide honey processing, packing and marketing services to its members. All the honey handled by this co-operative is handled on a pool basis.

Honey prices have remained quite stable during the past 9 years regardless of production. More emphasis has been placed on advertising and promotional work during years of high production, thereby increasing consumption. The desire to maintain higher consumption coupled with jams and jellies competition has tended to stabilize prices during years of low production.

The following breakdown is based on the selling price to wholesalers:

	<u>%</u>
Returned to producer	60.00
Container costs	14.00
Freight	10.00
Labour (packing and adminis.)	5.00
Brokerage	3.75
Advertising	2.00
Bank interest	1.75
Depreciation	1.00
Utilities and taxes	.60
Other expenses	1.90

While the producers are presently satisfied with the returns, it is becoming increasingly difficult to maintain returns at the present level.

Production has exceeded the demand in Western Canada. We have two avenues open for disposing of the surplus:

1. Educate the public on the food value and



uses of honey, thereby increasing consumption.

This is a long range program and creates the immediate expense of advertising while the immediate increase in sales is not sufficient to net the producer a reasonable return.

2. Sell bulk honey to packers in Eastern Canada who normally import honey from the United States. Honey from Alberta must compete with lower bulk honey prices in the United States; also, freight rates to Ontario are more than double the import duty on United States honey.

If I may, Mr. Chairman, I would just like to read in a brief paragraph with regard to canned vegetables. It is prepared by Mr. Perreault which I am quoting says "Farmers' returns in relation to consumer prices for canned vegetables is very low indeed. We do not have detailed information, but can report there has been considerable satisfaction in this regard. The farmers in southern Alberta affected by these spreads have now voted in favour of a producing market board, and are in negotiation with canning factories to endeavour to establish a satisfactory price to the producer. We daresay that the directors of this marketing board would appreciate information that can assist them in narrowing the spread between the producer and



consumer prices."

My next section has to do with advertising.

The value of advertising is to the layman a controversial issue. Certainly there are forms of advertising that are helpful and educational.

It would, however, appear that a great deal of our present advertising is based on come-on's and gimmicks such as toys, novelties, general merchandise in packaged goods and so-called give-away's with a box top plus, of course, 50 cents.

The whole theme in too many advertising programs is pressure plus a pot of gold at the end of the rainbow. The most vicious form of pressure is directed at parents through the children. "Flip", "Flop" and "Flopper" will rescue you from mountain chasms and charging bears, and will assure you of a carefree, happy life. They don't mention charge accounts and income tax inspectors.

Placing levity to one side, we feel that many of the advertising programs of the day are carried to extremes and must, in our opinion, constitute an unwarranted charge against the commodities concerned.

There is another aspect in relation to advertising. We are informed that the consumer demands the extra services presently associated with



modern shopping. It would be interesting to know how much this demand is based on desire and need, and how much it has come about as a result of promotional work.

Statistics: In preparing this brief and in trying to be of assistance to the Commission in its studies, we have encountered many difficulties. In the first place, we find that statistical data is established on so many different base periods that it is impossible for one to determine proper relationships. As an example, we would refer you to the "Canadian Statistical Review", August edition, 1957. Here we find base periods being established for 1945 in one table and for 1935-39 in the next.

Conclusion: 1. The Alberta Federation of Agriculture appreciates the complexity of the studies begin undertaken by this Commission. Our brief, while it is undoubtedly incomplete in many respects, is presented with the hope that it will be of some assistance.

2. The member organizations of the Alberta Federation of Agriculture will continue to seek ways and means of establishing price spreads between producer and consumer on a fair and equitable basis, keeping in mind the necessity of adequate returns for services provided.

3. We are confident that our member



organizations will welcome any advice that this Commission may see fit to include in its recommendations which will, in turn, assist in more effective and efficient marketing practices.

4. There is no question in our minds as to the importance of the topics under study, as the distribution and balance of income in relation to costs is an important factor in the overall economic welfare of our country.

The others are just two exhibits, Mr. Chairman, which shows the relationship of prices of wheat and flour and wages, and then prices of milk to the consumer and producer.

THE CHAIRMAN: Are there any other comments you would like to make on the other exhibits at the moment?

MR. McFALL: Mr. Chairman, just as a result of some of the discussions yesterday, and the fact that some of our directors were together, and we were talking things over, we thought we would like to add a little supplementary statement to this other brief, if that would be in order.

THE CHAIRMAN: Yes.

MR. McFALL: I have a copy here for the Secretary.

Price Spreads: There are a few other comments and points of view we would like to present



to this Commission.

From the consumers' point of view we in small towns are concerned about the price and the quality of fresh fruits and vegetables. Nearly all stores handle these commodities, and very very few have proper handling and storage facilities. The result is usually a poor quality, flavourless article resulting in high cost and a high percentage of waste; also a great reduction in consumption of these healthful foods.

The decline in farm purchasing power creates a vicious circle. Undoubtedly one of the contributing factors in unemployment is the fact that farm purchasing power has been reduced \$1,000,000,000 in the last three years over the three previous years. The effect is seen in sales of machinery, etcetera. Unemployment and low purchasing power affects consumption, particularly of the health and high protein foods, thus tending to depress prices still further.

We as farmers are deeply concerned about high prices of food to consumers. One of our great satisfactions is to produce large quantities of high quality, healthful foods. This is one of the incentives that make people want to farm. However we want to see these foods consumed and



enjoyed, our economic existence also depends on this.

Therefore, we suggest that subsidies to consumers in the form of deficiency payments to producers is the most desirable method of achieving this. By maintaining a low basic price we reduce the price to consumers, which is the equivalent of a raise in wages. Holding down wages in the form of cash enables Canada to better compete in world markets for both primary products and manufactured and processed goods. Further, deficiency payments can always be controlled so as not to over-stimulate production.

We realize that the cost of labour is only one factor in production costs. Tariffs, freight and our high-prices dollar are all factors; also, when steel increased \$5 per ton, a two-ton combine increased \$365.

We realize that some of these comments are possibly outside the terms of reference of this Commission. However, our farmers are in great economic difficulty and cannot continue to produce in this high cost economy. Some plans must be devised to give a fairer return for their investment, labour and the risks of nature. Further, we must always bear in mind that a depressed agriculture can undermine the stability of our whole country.



I do not know if there is anything further I wish to say just at this moment, Dr. Stewart.

I have something here I thought may be of interest to the Commission. There was the odd question yesterday in relation to the development of marketing boards in Alberta. As it happened, I had made a little study of that. I have got more or less a record dating back to 1936 of the various steps that were taken in our efforts to secure marketing legislation.

THE CHAIRMAN: We would like to receive that. We will number it Exhibit 14-A.

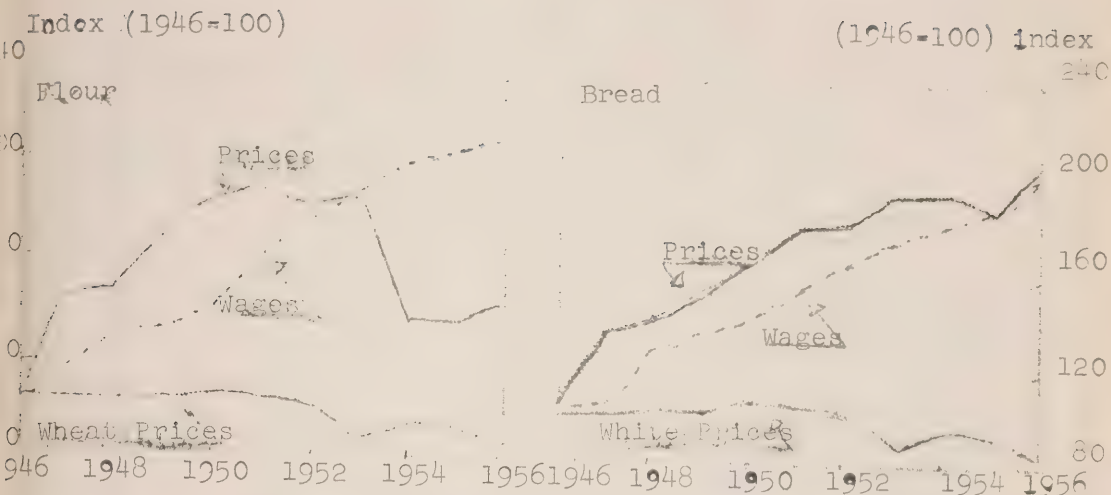
EXHIBIT NO. 14-A: Producer Marketing Boards -- their growth and achievements, filed by Mr. J.R.McFall.

(Pages 676-A and B - Exhibits "A" and "B")

THE CHAIRMAN: The members of your organization, as you have pointed out, are in most cases co-operative organizations and Mr. MacKichan and Mr. Martin on the Commission have long experience with co-operatives so I am going to ask them if they want to ask you some questions to begin with Mr. MacKichan.

COMMISSIONER MacKICHAN: Yes, Mr. Chairman. I believe that my colleague Dr. Drummond will deal with the first pages here that have a bearing on marketing boards, and I would like to turn to page 3

Exhibit "A"
Wages and Prices



NOTE: The lines indicating prices and wages are taken from the Oct.-Nov.-Dec., 1957 issue of "Labour Research", a Bulletin published by the Canadian Labour Congress. Its source of information was D.B.S. "Canadian Statistical Review" and Dept. of Labour "Wage Rates and Hours of Labour".

The Line indicating wheat prices has been added and is based on information supplied by the publicity department of the Alberta Wheat Pool, as follows:

<u>Year</u>	<u>Price¹/ per bu.</u>	<u>Index No. (1946-100)</u>
1946-47	183.3	100
1947-48	183.3	100
1948-49	183.3	100
1949-50	183.3	100
1950-51	185.5	101
1951-52	183.6	100 ⁺
1952-53	181.9	99
1953-54	156.4	85
1954-55	165.1	90
1955-56	160.7	87
1956-57	150.0 ² / ₂	82
1957-58	140.0 ³ / ₃	76

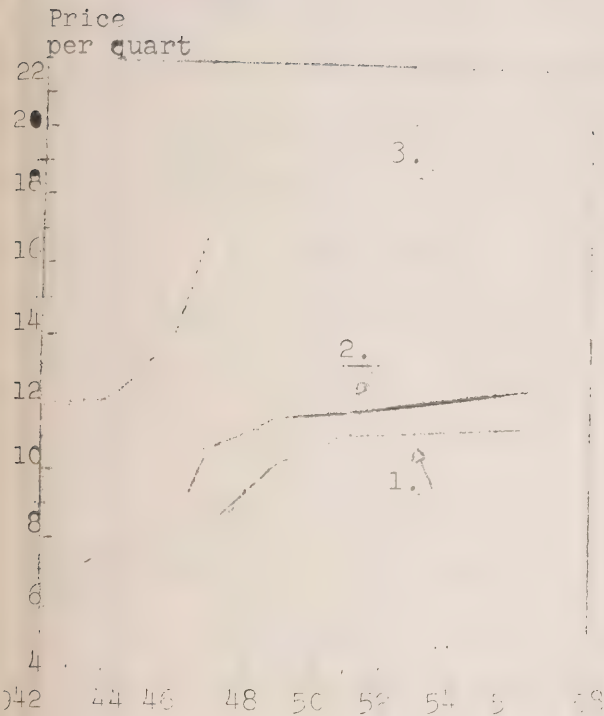
¹/Total price received by producers for No. 1 Northern basis Port William, Port Arthur or Vancouver.

²/Initial payment plus 10 cents interim payment.

³/Initial payment.



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This graph shows:

1. The price per quart received by producers for all milk sold.
2. The price per quart received by producers for No. 1 milk.
3. The price per quart paid by consumers.

The above graph is based on rulings made by the Board of Public Utilities Commissioners and information provided by the dairy cost survey.

<u>Date</u>	<u>Price Received for all milk sold (¢ per qt.)</u>	<u>Price received for No. 1 milk (¢ per qt.)</u>	<u>Price paid by consumer (¢ per qt.)</u>
Dec. 1942	5.98	6.64	12
June 1944	7.29	6.0	12
Sept. 1946	7.68	8.63	14
Dec. 1947	8.43	10.95	17
Dec. 1949	10.31	11.83	18
Nov. 1951	11.03	11.96	20
April 1955	11.49	12.	21



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and the third paragraph where you speak of what the consumer pays and what the producer receives is a seriously misunderstood issue. Would you elaborate a little bit on where you feel the misunderstanding arises here?

MR. McFALL: Well, I think it is largely based on the fact that -- well, take, for instance, country consumers are farm people, knowing the price they receive for their commodities, and then go into purchase things and pay a high price, and they feel there is a wide spread, and also our city consumers do not appreciate the various steps and processes that are necessary to bring these products to their door, and consequently there is a feeling there that, well, somebody is getting a rake-off there. In many cases I think it is insufficient information or thought on the issue.

COMMISSIONER MacKICHAN: In that connection of general misunderstanding, would there possibly be not a appreciation of the capital investment that the dairy farmer, for instance, may have in setting up his herd and buildings and equipment?

MR. BENTLEY: Yes, Mr. MacKichan. I am a dairy farmer in the Edmonton district, and I think that certainly I am aware of the high amount of capital that is required to become established in



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the dairy business, and at the present time we are, large numbers of us, installing these large tanks which cost from \$3,000 to \$5,000 a piece, and there are many factors, of course, in addition, the cost of buildings and livestock and equipping your premises which also have to be paid for by the cost of the product which you sell, and I don't think the consumer is altogether aware of those capital costs involved.

COMMISSIONER MacKICHAN: And some of the consequent procedure in bringing your milk up to the standard required by the health branch, all of which is good and necessary.

MR. BENTLEY: Yes.

COMMISSIONER MacKICHAN: I was also interested in the livestock end of this business. Would you tell us, place the procedures either from the central back to the local, or, better, from the local to the assembly and marketing and on to the marketing of livestock?

MR. WINKELAAR: Mr. Chairman, in my capacity as a manager of a central co-operative selling organization, I can possibly tell you something of the actual operations of the marketing end of it, whereas some of my colleagues here probably know more about the original setting up of the



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organizations. Probably to go back to the way they operate and the way they begin, the beginning is in the country with small organizations and producers. They originally formed co-operative associations and they accumulated livestock and sent it into the market, and from there evolved a plan of setting up a central organization, the theory being, of course, that we could handle in large volume collectively considerably more economically than they could when they were broken down previous to that. At the present time we have some local livestock shipping associations throughout the province of Alberta pretty well representing just about every district in the province. These shipping associations, their fashion is to handle as efficiently as possible the shipping and accumulating into this central market. There they in turn leave it with our selling organization which is again their own selling organization, the co-operative, and we do the negotiating of price and so on. It is our contention that on this kind of a basis we can handle this livestock even more economically than on the hit and miss basis previously, and which still does prevail to a certain extent. I believe in this brief it is pointed out that we have had many shipping jointly, drovers accumulating livestock. It means



that the selling element is broken down. He goes to the individual and negotiates with them, something we have done before that. It is an unnecessary expense because these drovers are making a profit out of it as well as the processor. We could do the same thing on a combined effort with a very little increase in the cost of handling this livestock.

COMMISSIONER MacKICHAN: Your remuneration is a commission, is it? Would your remuneration be in the form of a commission on sales?

MR. WINKELAAR: Yes, it is. On the public markets we operate under what they call the Livestock Products Act which is administered by the Federal Government, and as well as that we operate under the rules and regulations set up by the Livestock Exchange. These set commission prices, that is the price we are allowed to charge, we charge the same commission as any other private commission firm, the difference being that these charges are accumulated and put into a fund which at the end of the year is returned back to the producer in the form of dividend.

COMMISSIONER MacKICHAN: Your experience has been that these charges do allow for a patronage refund?



MR. WINKELAAR: Yes, and the individual firm have charges which show a profit, but in this case it is the producer's business instead of an independent.

COMMISSIONER MacKICHAN: In the early days our experience was that these organizations usually gathered around railway stations for shipping points, and the trucking has changed that to some extent.

MR. WINKELAAR: Yes.

COMMISSIONER MacKICHAN: But it has made it more difficult for the centralized collection.

MR. WINKELAAR: Yes. That is probably another point we didn't bring up in this brief. The increase in railroad freight rates has allowed truckers to increase their freight rates to a considerable extent. They are at the present time, I think, making a pretty good thing out of it, but again it is increasing the cost of that product which is not returned back to the producer.

COMMISSIONER MacKICHAN: In the operation of your local shipping point, that is usually a farmer who is performing a service, or is there a local office?

MR. WINKELAAR: We have small associations, and every one of them are operated in the same way. They have a board of directors appointed by the



members, and they in turn appoint a shipping manager, and he appoints people along the line as shippers, but it is operated by the producers themselves.

COMMISSIONER MacKICHAN: Does your local representative find it difficult to get information from the farmers as to when their stuff is ready to ship, and how many they have and all the rest?

MR. WINKELAAR: I am not too sure. We have probably some shippers around here that could give you that answer. At times I think that occurs, but that is just lack of organization. They can correct this and usually do. When we as a central body become aware of it, we try and do some work ourselves in straightening that sort of thing out.

COMMISSIONER MacKICHAN: I am pleased to hear you saying that they usually do correct that, but we sometimes find there is some apathy on the part of farmers respecting central bodies, locals and right down the line to do the major portion of the job. Something that can be done very easily themselves. That is all I have just at the moment.

COMMISSIONER MARTIN: May I ask what the relative importance of your activities, for instance, in Calgary?

MR. WINKELAAR: As a livestock selling



organization or marketing organization, our chief function is to sell the livestock for our producer members to the best possible advantage, and in doing that it is quite important that we maintain and keep open as many outlets for this livestock as possible, and to analyze markets throughout, on a national basis pretty well, to see where we can take advantage of the best markets which I think is -- that is something that individual persons can't do.

As I said a while ago, a lot of this marketing is on a hit and miss basis. People a lot of times, we know that producers will call a trucker in and ask him to pick up his livestock which is ready for market. That is as far as he goes with it. He lets the trucker in there, come and pick it up and take the livestock, and it is up to the trucker to determine where to take it. That trucker is not close enough to the business to know where the best or most advantageous places would be, and he may, as has been intimated in this thing, have some kind of a financial arrangement with some particular processor that makes him want to take it to that processor because he gets a little extra payment besides his trucking charge which he also assesses to the producer, so it is up to us on the livestock that is consigned to us from our members



to find the best possible outlets to do the best job we can by selling for him at a minimum cost.

COMMISSIONER MARTIN: Do you have some producers who have contracted, for instance, for feed contract, or filling contract?

MR. WINKELAAR: I don't think we have that sort of thing here. I think what you are referring to is what they have in Eastern Canada. I don't think there are any of those kind of setups here. The producers are pretty well on their own. They have their own grain in most cases, and they don't need that kind of a contract. I stand corrected.

MR. DAHL: We have a lot of cattle on contract in our area and gain per pound basis for packing houses and various firms. They put the cattle in, the feeder supplies the feed or through rent from them, until the cattle are sold. They get so much a pound for the gain that is put on the livestock. That is a growing tendency in our area.

COMMISSIONER MARTIN: So that livestock according to the contractor has to go direct to him?

MR. DAHL: Yes, being fed under contract for packing houses or grain producers.

COMMISSIONER MacKICHAN: You will notice that the activity of the growers steps up if there is



an indication that there will be a rise in prices, and when prices are falling there is a drop in that activity, and that is where I think that we get these uninformed farmers.

COMMISSIONER MARTIN: Now on page 4 of that brief you refer to, I should say the value of an hour pay in relation to some products. When we look at this, are we true in thinking that from your point of view the farmer's position is worse today in relation to, I should say, the consumer's, at least the labourer than it was before? Is that what you try to explain?

MR. McFALL: I wasn't really trying to deal with the farmer's position there. I was trying to establish limited information and the fact that the consumer was in a better position to stand the so-called high prices than they have in the past. That was my thought on that table, while it is not sufficiently complete.

COMMISSIONER MARTIN: Are you taking into account that the consumer today, for instance, may have a lot of things to buy that they didn't buy in the past years, and that they have to spend more money on items other than food now than they had in the past?

MR. McFALL: I suppose that is quite



possible. On the other hand, there is a question between the high cost of eating and the high cost of living too. Just what all those factors would be in there I wouldn't have any idea.

COMMISSIONER MARTIN: Now when you refer to on page 5 to the present rate of the retail cost that the producers are receiving, do you feel that the farmer should get a price for farm products, or the prices received by these farmers are better according to the present rate of the total retail price they are saving? For instance, if the farmer is saving 75 per cent of the total retail price, do you think that in fact he always gets more than in other products where he receives only maybe 30 per cent?

THE CHAIRMAN: May I try and re-state the question? Supposing on your one product the percentage there to the farmer is 75 per cent, and in another case it is 30 per cent. Can you conclude from that that the first farmer is better off than the second one?

MR. McFALL: No, I don't think there would be any, at least, I couldn't establish any relation there. For instance, our creamery butter on page 5 is 77, and eggs are 74, and so which producer is better off, or going down



even to some of the others the still lower figure.

THE CHAIRMAN: There may be a tendency on the part of uninformed people to feel this way about it. These figures are kicked around a lot?

MR. WINKELAAR: Oh yes.

THE CHAIRMAN: It seems on the face of it to represent a better situation to the farmer if he is getting 75 per cent. It is not necessarily so.

MR. McFALL: I wouldn't say there would be any relation at all there.

COMMISSIONER MARTIN: So you think those figures would be interpreted very carefully?

MR. McFALL: Oh yes.

COMMISSIONER MARTIN: Now, we had in previous briefs a reference to grading of farm products. Do you think from the producer's standpoint these gradings could be improved?



MR. McFALL: Well, I would say there is nothing that cannot be improved.

COMMISSIONER MARTIN: Yes.

MR. McFALL: Certainly we must at all times keep improvement in mind, but speaking more or less personally, and from my own observation, a lot of our criticism of grading is based on lack of information as to what constitutes those gradings.

I think in the final analysis while a lot of farm people may be critical of grading to some extent, at the same time they will come right back and say that grading is very important. There has been the fact, particularly with hogs, there has been the feeling that grading should go through to the consumers so the consumer is getting the same quality as the producer is selling, but certainly there are a lot of complications there.

I know the Canadian Federation had committees working on that. They could not come up with any conclusive answers at all as far as these products were concerned, but as far as our grading is concerned, I think our organizations agree that we must have them, but at the same time we must always seek to improve them.

In the final analysis while we do criticize the grading to some extent it is something like the



case of our Wheat Board. Sometimes you will hear our farmers sort of talking back at the Wheat Board, and the next instance they turn around and say "We cannot do without it". It applies to grading to the same extent.

COMMISSIONER MARTIN: We have been told also in some cases maybe there is too much grading of farm products. Do you think that grading of farm products is something, from your point of view, that is very important to the farmers, and do you think that a good grading of farm products may have some reference to consumers?

MR. McFALL: I think it is very important to carry the grading through as much as we possibly can, and certainly to keep up the standard of those grades so they are carried through.

COMMISSIONER MARTIN: To the consumers?

MR. McFALL: Yes. I mean we must at all times keep in mind that we have got to deliver as high a quality product as we possibly can to the consumer.

MR. L. HARRIS: Is it all right to chip in on this thing?

THE CHAIRMAN: Yes. We are glad to have you here.

MR. L. HARRIS: Mr. Chairman, as a farmer and as a consumer, I think quality in grading is very



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very important. It is vital. As was mentioned in the brief one of our satisfactions on the farm is to produce a high quality product. We expect to have it graded, otherwise the consumer has not any protection. You should get the differential and possibly that is one thing that we feel, quality does not receive the premium that it deserves, because what the consumer wants is when he buys beef he wants good beef that is tender and he can enjoy. It is the same with everything he buys.

I think we, as farmers and consumers, do regard quality and grading as very important and I do not think in fact there is too much criticism of the grading. The criticism is, I believe, where we have not got the grading.

In certain of our beef that is sold without being weighed, as has been pointed out, or properly graded, that is often where the farmer takes a clipping.

THE CHAIRMAN: Would you agree that when we speak of quality we have in mind the consumers, the criteria of quality related to the consumers. Is that right?

MR. L. HARRIS: I would say in agricultural products absolutely, because everything that is produced has to be used, and its use determines its value and therefore the quality or grading should be



the basis on the use to which it is to be put. Until it is used it is nothing.

I think that applies to high quality wheat that makes good bread or to good beef cattle that makes good steaks or to seed.

THE CHAIRMAN: If we can get a system of grading of a particular product which is significant in the manner in which it differentiates in relation to the consumers wishes and we have a satisfactory grading system at the consumer's level, I take it would I be correct the point of concern to the producers then is what the individual producer gets for his particular product as related to the manner in which that product is distributed between the grades at the consumer level.

MR. L. HARRIS: Yes, I think I get your point there. It is that we often feel that the producer does not get that price spread that is warranted and often the consumer does not always get the high quality that he expects. Possibly other low grade stuff has been substituted as more on the consumer level. Is that the point that you are asking around there?

THE CHAIRMAN: Yes. This becomes very difficult with a thing like a hog which ultimately contributes to a number of different things, which



may fall in each case into a number of different grades. Then it becomes a very difficult thing to relate a hog to the grading of the product, does it not?

MR. L. HARRIS: Well, there again that is a big field that we think should be investigated because there is so much controversy about it. We are told by some authorities that hogs brought into the packing plant and butchered immediately produce what they call a wet carcass. It does not absorb the cure to the same extent. It is frustrated to a certain amount, and has not settled down.

You will notice some meat, or the women shoppers will notice some meat that splatters in the pan, and they claim that is part of the cause.

Other times, on the other hand, other authorities state it doesn't make any difference, but we do know if you buy one grade of bacon from one packing plant or one brand name, the quality will vary in the amount of softness and so on.

Some people claim in the marketing of hogs it degrades the hog by the fact it is butchered immediately it comes into the yard instead of having 24 hours to settle down.

Possibly Mr. Winkelaar could touch on that point.



Here is an example. When it gets on the rail they claim it does not look as a nice looking carcass. It is apt to be slightly rough looking whereas it may be that hog would have graded better if it had been kept 24 hours.

I understand a man who has raised a lot of hogs and who has graded a lot of hogs told some of our farmers that is where the difficulty was, but I would like to see an investigation on that. Then we would get a more suitable product for the consumer.

THE CHAIRMAN: We will certainly have a good look at this field.

COMMISSIONER KIDD: Mr. McFall, one of your major points appears to be that the level of wages has a deleterious effect on farm income. Can I take it that in terms of cost of production of farmers your equipment rates pretty high. Would that be so?

MR. McFALL: The cost of equipment for production?

COMMISSIONER KIDD: Yes.

MR. McFALL: Oh yes, that is very high.

COMMISSIONER KIDD: Following on that you mentioned about the recent increase in the price of steel and you mentioned the price of the equipment



too. Is it your contention then that the reason the farmer has to pay more for his tractors is that the cost of wages has forced up the prices of the equipment that you have got to buy?

MR. McFALL: Well, I cannot just say what all the factors would be. It would not be entirely labour by any means. It would be a whole series of factors.

MR. L. HARRIS: Would you read that clause again. I think there is a misinterpretation there.

COMMISSIONER KIDD: I was talking about the supplementary submission about hauling down wages and the price of steel. I was referring to that. Do I gather, and is it your understanding that the reason why you pay more for your equipment is because wages are rising? You made quite a point of that throughout your submission.

MR. McFALL: We would certainly feel it is one of the factors.

COMMISSIONER KIDD: You would not have any information on the percentage of the sale dollar in the farm equipment industry or steel industry generally that goes to labour?

MR. McFALL: No.

COMMISSIONER KIDD: You would not know



whether that had been declining over the past 10 years, for example?

MR. McFALL: No.

COMMISSIONER KIDD: If that had been declining, your argument would not possibly be quite the same, would it? Just take one product here. You mentioned honey. As you know, one of the problems facing this Commission is cost of all sorts which go into the spread. You mentioned container costs. Now, in this exhibit, do you figure the labour cost is high in relation to the final price?

MR. McFALL: Well, I had better ask my honey man there on this issue.

MR. PAWLOWSKI: I would consider the labour cost rather low in this case.

COMMISSIONER KIDD: I was just thinking of the 40-cent jar you would buy in the store. That would be 2 cents. Have you got figures for the other products mentioned here?

MR. PAWLOWSKI: No.

COMMISSIONER KIDD: I take it from you that you wouldn't think it would be reduced much as far as honey is concerned? There was something that struck me, the question of livestock. We heard this yesterday too about the pick-up of livestock as opposed to the selling on the livestock



market, What puzzles me is why is this developing, why is there more of the product being sold that way instead of more being sold on the livestock market?

MR. WINKELAAR: It has been developing for a good many years, and it is a natural thing, I think, on the part of a processor who uses this material to buy it as cheaply as he can. If he has a selling organization opposing him, somebody who can negotiate on terms with him, then he is going to have a tougher time buying in the way he wants to than breaking it down the way he does today. If, on the other hand, every buyer had to concentrate on the supply in one place, competing one with the other, I think you could get a truer price. There is 5 per cent on hogs. Hogs sold on the public market establish the general price that prevails throughout the province. With 5 per cent on hogs you are not going to have a true reflection. If you have every buyer concentrating on sufficient of those, I think you would have a truer reflection of it. I think there is no doubt that the processor is paying more of the actual value to him of that livestock, and the average is going to be to his advantage. I don't know whether that answers the thing completely or not.

COMMISSIONER KIDD: You are concerned,



as you say, with the level of purchasing power, but I am wondering if in your submission the explanation isn't -- I believe you used the phrase "holding down wages". Wouldn't that increase the purchasing power of the consumer?

MR. HARRIS: Mr. Chairman, being responsible for this appendage here, I could answer that. You have copies of all of these, have you? Your first question was about the labour in combination with this combine. If you follow the reading there you will find that we realized that the cost of labour is only one of the factors in production costs; tariff, freight and high price dollar are all factors. Also steel increased by \$5 a ton. That was quite a few years ago, the first break when the ceiling was removed. Although the price of steel only went up \$5 a ton, that combine increased immediately \$365. It wasn't a labour cost which led to that increase in that particular point there.

Your other point, where we have mentioned the labour being held down, the wording is in cash. In other words, by low food an increase in wages could be given without increasing the cost of production of that particular article. That is the point that is trying to be made there.



COMMISSIONER KIDD: A wage price could go up, but the unit costs of producing an article could come down at the same time due to productivity.

MR. HARRIS: It could, but, nevertheless, I think you will agree that all costs, no matter what they are, do add to the price of the finished product, and if you can hold down any of those costs, it does help to produce much cheaper that particular article, and therefore helps in a competitive market, and we are only suggesting that subsidies in holding down the price of food are beneficial to the whole economy, while deficiency payments will take the place by giving a fair return to the producer for agricultural products.

THE CHAIRMAN: We are about half way through the morning. I think this is a good time to take a short recess.

--- Recess.

--- Upon resuming.

THE CHAIRMAN: Come to order, please.
Mrs. Walton has a question or two.

COMMISSIONER WALTON: Just for clarification for some information if I can get it. I was wondering, on page 7 of the brief referring to milk, I appreciate that you have different areas and that the prices, the minimum price set to the producer



and the distributor does vary in most areas, and it is a minimum price. I assume then that the price to the consumer in those areas would vary, the selling price or is it all uniform?

MR. BENTLEY: Yes, the price to the consumer varies. As was mentioned in the brief, the last revision of prices was made in June 16, 1957, and at that time the Public Utilities Commission didn't set any consumer prices, and they vary. I think there is only about a cent a quart in the different areas in the province. Edmonton with 21, Calgary I believe has 22, and I am not aware of the other prices in Lethbridge and Medicine Hat, but there is only approximately a variation of one cent to the consumer.

COMMISSIONER WALTON: But it varies almost in relation to the minimum price to the other producers?

MR. BENTLEY: Yes, I think that is true. Possibly smaller cities like Lethbridge and Medicine Hat I believe could have a little higher price. Whether their costs are different or not. The Utilities Board were not too satisfied with the distributor's figures, and they decided that in some places they were asking too much, so that they took the setting of the consumer price out of the order, and that has left it to their own discretion now.



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COMMISSIONER WALTON: Thank you. That clears up that point. We seem to have heard a lot of pork and grading, and I was just wondering about, the problem was brought up before, it was very difficult to carry through the premium on hogs and there was some implication that some of the pork products we are buying at the retail level, there was a feeling that the consumer was paying perhaps the premium price which was not reflected back to the producer. I was wondering on the fancy pork products which carry a brand name, such as bacon or wrapped hams, wouldn't you feel, or it was my understanding that some of the processors who have put a brand on the package of bacon, they name their top quality, at one place be called premium, another whatever the name might be, but to protect their brand name competition with other processors, they will endeavour to maintain the highest quality of uniformity in that package, because the consumers are creatures of habit, and if they find there is a consistency in a brand name that meets their particular need, they tend to buy it, and re-buy it. I am given to understand that if there is a grade "A" hog, when you are slicing it for bacon that was in the same area, within a few inches, there will be a grade "B" bacon, according to that particular process. Similarly, a grade "B"



hog has got grade "A" bacon in it, but in the brand name at the end you might inevitably have a slice from the grade "B" hog, and a slice from the grade "A" hog in the same package to maintain that uniformity.

MR. BENTLEY: Well with regard to that, there are possibilities that even in a "B" and "C" hog by trimming some of the fat off, you can get a very high grade product for the consumer, but at the same time there is some loss in the fat. The fat is in very low value, and therefore the consumer might get a very good article which could be used for that purpose, but on the other hand there is quite a loss, as I have stated, from the trimming of the fat in the lower grades, so that is why there is so much difficulty I guess in getting this product right through to the ultimate consumer by maintaining that grade all the way through.

COMMISSIONER WALTON: That is true of very many products. Even in the fruit and vegetable. The producer sells the hogs and there is grading through, and so many things going into other products. As the producer for 10 years of fruits and vegetables myself, I was going to ask if the individual producer here got a premium from beans, or was carried on after they graded themselves, and I found that as an individual producer in the East, it cost me more to ship a basket of poor quality than if I kept



a consistent quality throughout, and I always got a premium for my produce, and it was sold at a premium to the consumer. In your co-operative endeavour where you pool things, is there a premium to the good producer because there must be some producers who are perhaps better quality producer than others who are members of the co-op?

MR. DAHL: Well, our vegetable production in Alberta, is primarily in the irrigated areas for canning plants, and it is graded at the canning factory, but now it is in respect, for instance, to peas. They bring the peas in, if they happen to be tender and not too old, they get paid according to the grade. There is a schedule under the contract by which they are paid. There is no selection by the individual or grading. It is entirely from the canning factory, and bean picking, there is a little difference there. It can be selected the more tender beans can be picked and they bring a higher quality.

COMMISSIONER WALTON: They are under contract?

MR. DAHL: Primarily they are all under contract and graded at the plant.

COMMISSIONER COUVRETTE: On that question of milk, would you be in a position to explain why



after 25 years at a minimum price set to the consumers it has been changed, in 1957 to a price that would sell the product at a loss?

MR. BENTLEY: Well as a producer, I was not too happy personally in having a minimum price set. The only restriction they made was that no dairy was allowed to use this as a loss leader. In other words, they weren't allowed to sell below their cost, of what their cost would be. I think it is unfortunate. It is true that we as producers are still protected, but I think the consumer should have been too. They leave that entirely to the plants who are competing for the consumer business, and as far as Edmonton was concerned, they have all maintained the same price. Last June the price to the consumer went up one cent a quart, which is 38.8 a hundred. The producer got 11 cents of that. In addition, we got out of town milk, which was a big factor in our business, and they included that in our quota, so that possibly we received more than 11 cents of the 38.8-cent increase for 100 pounds. That is what happened at that time.

COMMISSIONER COUVRETTE: What was the explanation for the change from a minimum price and this new price which we have heard as being a direct minimum price, which is not exactly the same thing?



MR. BENTLEY: I am afraid you would have to ask the Board of Public Utilities Commissioners as to why they ticked it off. As I stated before, they felt that some of the figures that these distributors were giving to them showed such a varying degree of cost, that they felt they couldn't on the basis of their figures, and especially for Lethbridge and Medicine Hat which the Board mentioned particularly, they couldn't accept the great degree of disparity on cost that these distributors were trying to show, so they threw it open and they figured that possibly competition between the different plants would keep the thing on an even keel.

I personally as a producer was sorry to see it happen in that way, but you would have to ask the Utilities Board why they did it.

COMMISSIONER WALTON: Prior thereto there was a maximum consumer price? Although it varied in the areas there was a maximum, and that has been removed and opened?

MR. BENTLEY: It was a minimum price, but in effect it became a maximum. It was a minimum price. They could raise it higher if they wished, but the minimum price in actual fact over the last 25 years became the maximum.

COMMISSIONER COUVRETTE: What strikes me is that you say in your brief or you seem to imply



a situation that was rather happy with the arrangements that have been taking place over the last 25 years, and suddenly there was a change. That might make some people unhappy along the line.

MR. BENTLEY: Well, the producers are still protected. We have this cost of production survey which is a very thorough thing, and we have based our case entirely on this cost of production survey.

Possibly they may be going into formula pricing which will probably give us a little quicker action, one way or the other, on the rising and falling of cost of production, but certainly we have been quite happy with the system as it is.

COMMISSIONER DRUMMOND: I would like first to ask you a few questions in regard to the livestock market. Perhaps it might be helpful to the Commission if either Mr. McFall or Mr. Winkelaar would outline in a general sort of way the area of production of livestock -- that is to say, cattle and hogs, in the province; indicating if there is any such thing as a concentration of production or if it is widespread or if it is more or less evenly spread and that sort of thing. That is the first point, and also following that I would like to know where your processing plants are located.

MR. WINKELAAR: Is that it?



COMMISSIONER DRUMMOND: Yes.

MR. WINKELAAR: As to the areas of production it is quite widespread. You have some concentration, for instance, in Southern Alberta where there are more cattle produced by a considerable number than what we have in the North.

In Central Alberta I think our largest hog production takes place there, but in this northern part we have fairly large hog production combined with some cattle. It is more or less mixed farming they do in this northern part -- I think that it is pretty well distributed throughout the province actually.

While there are certain places where there is concentration, as I say, in Central Alberta, we have quite a number of hogs and at the same time there is quite a significant amount of hog production in the North as well up in the Peace River block, but not too much in the way of cattle.

Our plants are all located in both Edmonton and Calgary, the processing plants of any consequence-- that is the major packing plants. There are some small slaughter houses elsewhere. We have four major plants in Edmonton, and three in Calgary. Our market centres are actually Calgary, Edmonton and Lethbridge. Those are the three centres in



which we have public markets.

COMMISSIONER DRUMMOND: Following from that, I take it that the livestock produced in the Peace River area, for example, would have to go at least to Edmonton to be processed.

MR. WINKELAAR: That is right. Perhaps -- I wonder if I might just add to that. We have an advantage on the Western Canadian market as well which is in Vancouver. The packing plants in Vancouver depend on the production in Alberta for their supplies of processed meats.

COMMISSIONER DRUMMOND: Yes, I would like to know the way in which this livestock is brought over to Edmonton or Calgary. Is it by truck or by rail, roughly the relative proportions of each.

MR. WINKELAAR: I would say that now it perhaps has increased to 60 per cent by truck and 40 per cent by rail. At one time the reverse was the case. We were getting about 60 per cent by rail or more. However, over the last five or eight years, there has been quite a swing towards trucking livestock than by rail.

The bulk of our livestock that comes from the Peace River block will come to us by rail. That is quite a long trip, and the roads are not as good as they should be. Even then there is a considerable



increase in the amount of trucking that takes place.

In Central Alberta, that is around the Red Deer area, the bulk of the hogs are shipped by rail from there.

From an economic standpoint mainly it is cheaper to ship by rail than it is to ship by truck, and we have our associations well organized and they are accumulated in large enough numbers to handle them that way but where there is no organized collection and that sort of thing, most of the stuff comes by truck.

A farmer will find a trucker. Those are services he can get today which were not available to him before. It is easy. However, it stands to reason it is more expensive, and it does in fact add to the cost without being returned in what he gets back.

COMMISSIONER DRUMMOND: The livestock that is shipped by rail, could it come directly to the plant as well as to the public market?

MR. WINKELAAR: The stock we get, I would say, the bulk of it goes directly to the plants. We sell it before it is put on the cars. We negotiate with the packers -- I am talking particularly about hogs now. We negotiate with the packers, we have the prices and they are loaded on to the cars directly



to the packing plant, again to eliminate cost.

But, with cattle, most of them we send to the public market because, for one thing, we have a larger volume of cattle. We can get a better kind of competitive feature than if we were to ship them directly to the plant. Possibly we might have a lot of outside buyers interested in cattle.

The same thing does not apply to the same extent with hogs.

COMMISSIONER DRUMMOND: You said roughly the percentage shipped by truck now is 60. That is for both kinds of livestock?

MR. WINKELAAR: Yes.

COMMISSIONER DRUMMOND: The reason I asked that is it seems to me that the opportunity for the sort of thing that is mentioned in the brief here, the opportunity for the processors engaging truckers to truck hogs directly to their plant would naturally be possible in the case of that percentage of animals which are trucked rather than sent by rail. Am I correct in that?

MR. WINKELAAR: To a large extent, although they also engage individual drovers and then they are sent down to where there is quite a concentration of livestock to work for them, directly as an agent for them.



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COMMISSIONER DRUMMOND: In view of the relatively great distance this stock has to be transported, regardless of which method is used, is there any general tendency for the livestock say North of Edmonton to stop at Edmonton for processing rather than to go south to Calgary?

MR. WINKELAAR: Yes, I think so. In fact, very little goes from the north of Edmonton down to Calgary. Our markets are fairly level, and it is kept pretty much in balance on both markets, more or less, because of the fact that we have got as large a volume on the Edmonton market as they have in Calgary.

You may have more buyers, more competition reflected on a slightly higher average price, but generally speaking the prices are about the same so there would be no advantage to run into that extra cost by trucking them from the north down to Calgary.

COMMISSIONER DRUMMOND: My reason for asking that was, I wanted to discover possibly the extent to which there may be what we call cross grading of the livestock in the province. May I make that very specific. Is there a tendency for livestock in this general area at Edmonton on occasion to go south to be processed at Calgary, and for livestock from that general area to come north to be processed at Edmonton?

MR. WINKELAAR: No. Most of our major



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packers have packing houses at both Calgary and Edmonton, so that would keep them in balance.

COMMISSIONER DRUMMOND: In some other parts you have a great lot of livestock passing one another on the highways -- two different plants. I wanted to know if that existed here.

MR. WINKELAAR: No, it does not apply

COMMISSIONER DRUMMOND: I take it from what is said in the brief that your feeling is that the prime cause for the development of this thing which we call direct marketing, is the interest and action of the processors themselves.

MR. WINKELAAR: I think that is correct.

COMMISSIONER DRUMMOND: Do you think that there are any other factors that contribute to the development?

MR. WINKELAAR: I can't think of any. As far as I can see, it is directly one of the tactics that they would use to try and buy their livestock cheaper. I mean, it is, naturally, something that any one of us would do; they think it is something that would save the money, and I think over the years it does save them some. It involves immediate expense in that they are paying commission, bonus and that sort of thing, but it generally keeps the price down because you are competing and they use the central market figures to base their prices on.



COMMISSIONER DRUMMOND: To your knowledge have the livestock producers expressed any general views in regard to the relative merits of the two methods of marketing? Let us say that historically they sold on the public markets and that more and more have shipped it to the direct marketing. It seems to me that there must be a reason for everything, probably reasons, but in this case I am wondering whether the farmers themselves had felt that there might be economies to them in using the direct method other than the other. In other words, the amount of trucking, the amount of transportation, the amount of time it has to be en route, the amount of shrinkage, damage.

MR. WINKELAAR: I think that possibly that might be one of the factors which has caused this shifting in the methods too. I think that a lot of the producers, and I think mistakenly, believe they are effecting some economies, and if they go direct it is a point of bargaining with the buyers themselves. They are paying for it in an indirect way, which they can't see. But that is one of the reasons that they are using it. Another factor is that a lot of them are short of help, and they find it much simpler to phone a trucker and ask him to pick it up rather than take it in themselves perhaps five or ten miles away.



COMMISSIONER DRUMMOND: Do you think the rural development of highways might be another factor, at least making it technically possible?

MR. WINKELAAR: Yes.

COMMISSIONER DRUMMOND: I wonder if you would, for our information explain just a little bit in respect to this negotiated price that you sell some of your stock on.

MR. WINKELAAR: That is a rather long and complicated thing. I don't know whether I should try and get into it or not. Theoretically, of course, we feel that to sell to somebody directly is wrong; we should have it on public market. We handle roughly 25 per cent of the total hog production in Alberta on a co-operative basis. If we put 25 per cent on the market with all the organizations they have, I am afraid we would find there wouldn't be too much competition concentrated on that 25 per cent, they would concentrate on the 75 per cent. Every so often we tell them these particular associations are going to have hogs for sale. Some will have two to three carloads, some will have eight to ten, and we let all who are interested in buying know we are coming in, and we let them know what our terms of sale will be, and we give them a chance to give us a price on them, and the price they set is not an established, definite



price but a price in relation to the public market. Now, that is the way we negotiate this. As a rule, we have found that when we have negotiated a price with them, that same price applies to everyone, that is drovers and everyone else who is interested in selling hogs. It must be based on volume. It can be done individually, but it can vary from time to time. There is nobody to force him to set a certain price and stay with it. When our market price seems to be a little too high to them, they may drop that and say they might pay a dollar on it. Peculiarly enough, even at this time, producers were still taking hogs directly into these processors.

COMMISSIONER DRUMMOND: I notice you used the word "disturbing" when you spoke of the livestock marketing picture. I take it that your general feeling is that quite definitely under that if you could route all the livestock to the public market the average price obtained would be definitely improved.

MR. WINKELAAR: I am quite sure it would. There is no guarantee that that would always prevail. There are times when we have a very short run, and a few hogs on the market; but under normal runs on livestock, under normal volume, I think your average level would be definitely better, if you



could sell them on a competitive basis.

THE CHAIRMAN: Does your organization give the producer any guidance as to when to ship his cattle?

MR. WINKELAAR: Yes -- not generally, we don't sent out a general bulletin, but people are in contact with us all the time through our associations and we give them the best advice we can, sometimes not too good.

COMMISSIONER DRUMMOND: I wonder if you would give us a little further explanation of just what is meant by these buying stations. That is rather a new phenomena to me.

MR. WINKELAAR: I think you have them in Eastern Canada to some extent. In the East I believe they are just assembling stations, but that doesn't apply here, and some of them have their own employees. For instance, on the south of the river here -- and this developed years and years ago -- there was one packing house on the south of the river and the plants were all over on the north side, and there was a tendency for people who were coming in that way to drop all the stock into this packing house in the south, so the packers decided we will put a station there, and put our own man in there, which he did. That is a good long time ago, but that was the only place where it could be justified from that standpoint, that they wanted to get their



stations on both sides, and they didn't have the same kind of a set-up to allow them to do it.

Since then, after the one packing house set the station up there, two others followed suit, and so there are three packing station over on the south side which have opened up.

On the St. Albert Trail which is to the west of the city, one of the packing houses started, went there. There are now four packing stations, one representing each of the packing houses, and similarly east of Edmonton the same thing applies, so that in total I believe there are some 16 packing stations just right around the city here to stop this livestock from coming to market. Again, they use the public market quotation, that is the sales we make on the public market establish prices that prevail throughout Alberta. They use those quotations then to have the price that they will pay a producer that comes in. Now then, naturally there is quite a tendency for producers if he has got livestock in the west of the city here to drop in there knowing that it is going to eventually sell at about the same price rather than go all the way through the city and go to the public market, and that is another reason why it has grown to the extent that it has.

COMMISSIONER DRUMMOND: Correct me if I am



wrong, is this the situation, at each of these buying stations there is only one packing house representative there?

MR. WINKELAAR: Yes, each packing house has his own buying station. He sets up his own station there, sets up yards and office and scales and so on.

COMMISSIONER DRUMMOND: It is really the same general idea then, as if you took the animals right to his plant?

MR. WINKELAAR: Exactly, yes, but you can feature the increased cost that should apply to that sort of thing.

COMMISSIONER DRUMMOND: What I was wondering was whether or not this might be substituted for what we might call local auctioneering?

MR. WINKELAAR: No. No.

COMMISSIONER MacKICHAN: Before we pass live-stock, may I interject one question? It may not be a fair one, in one sense forecasting what might happen, but has the co-operative given any thought to duplicating of farm pick-up service or some of those other booby-traps along the way?

MR. WINKELAAR: We have been requested by some of our members to do that. Not on an organized or concerted effort, but individuals have quite frequently said why don't you set up these things? Well



here we are concerned with price spreads. Naturally all increased services are going to widen your price spread. Now as far as we are concerned, as a selling agency, we say we can give our producers, our members any service they want at a price. Now then the question is, is it worth it? We would certainly think that from a practical standpoint it would be much more desirable that they eliminate what now exists rather than add to it.

COMMISSIONER MacKICHAN: But you couldn't offset some of those extra costs with this bargaining, this horse trading business?

MR. WINKELAAR: Well we think that with increased volume we can be just a little more effective in the selling, but the thing is the competition that you would have in that field is terrific. You see, you would have possibly one or two or three posted in the same place. You still have that competition to contend with; not that we think there is anything wrong with competition as long as it is good competition.

COMMISSIONER DRUMMOND: A final question, I think this will be the final one on livestock. I want to make sure that I am correct. You have mentioned in the brief that you are only able to sell at the present time 5 to 10 per cent on the



public market. Am I correct in saying that, or concluding that you have attempted in this negotiated price technique to more or less obtain a substitute for the unsatisfactory, in your opinion, price that you can obtain on these public markets?

MR. WINKELAAR: No, I don't think so. The negotiate reason we/price is to eliminate some of the costs that would prevail if we were on public markets. Now, if everything came to the public market, then possibly your cost would be down proportionately. It would be fine, you could put everything on the public market and the cost to each individual would be negligible. It wouldn't be too large. But with only a proportion of it on the public market, the proportion that the co-operative set-up handles, you would not reduce your cost much materially, but it would be reflected in lower returns to your producer, and we are interested in his welfare. We are trying to get as much back to him as we can.

COMMISSIONER DRUMMOND: What I understood you to say was that your negotiated price was actually negotiated to a considerable extent on the price fixing elsewhere?

MR. WINKELAAR: Well that is correct. The negotiated price applies, although at these country points where we have marketing stations, that is where we have co-operative shippers, and at



almost every one of those points there will be two or three drovers who are being promoted by the processor himself, each one going to a different processor. Once we have negotiated a price for a period, immediately the processor who has a drover in that area says well from now on your price is going to be so and so, which is in line with ours just to keep the competition and make sure that he gets enough of the product to make it worth while.

COMMISSIONER DRUMMOND: Incidentally, are many of your drovers now working 100 per cent independently, in the old fashioned way?

MR. WINKELAAR: No, they almost all have a tie-up with some packers, is that what you mean, or whether they just go where they want? Most of them have a tie-up with somebody.

THE CHAIRMAN: Have you any information on trucking rates for cattle?

MR. WINKELAAR: Just off hand do you mean, Dr. Stewart?

THE CHAIRMAN: Yes, or in more detail in your own record.

MR. WINKELAAR: I haven't it here. We have the rates pretty well from all points in Alberta.

THE CHAIRMAN: I suspect we will get those somewhere else, but we are asking you for it.



COMMISSIONER DRUMMOND: On page 2 of the brief you mention that many of your member bodies, that is of the Federation are co-operative organizations, voluntary co-operatives. I take it that by and large farmer organization in this province is on the voluntary co-operative basis?

MR. McFALL: Yes, they are all voluntary co-operative organizations.

COMMISSIONER DRUMMOND: You also mention that these voluntary co-operatives, you state the objectives which they aim to achieve, and indicate the methods that they employ in order to achieve them. I think at the bottom of that page you mention that in some cases the ability of the co-operative to increase the competitive nature of the prices has been neglected, but in other cases you have made some considerable headway?

MR. McFALL: I think that is quite correct. It bears largely on the scope and the volume that those co-operatives would handle. Some of our larger dairy co-operatives, poultry producers, some of them have been a very definite factor in the overall picture. It is very difficult to pin-point, but I think there is something there.

COMMISSIONER DRUMMOND: Would I be correct in saying when a co-operative has been organized with a specific purpose, trying to improve



the price that the farmer receives, that there has been a general feeling that in the absence of the co-operative, prices were less than truly competitive prices?

MR. McFALL: I think that is very definite. It seems like the co-operative puts in an additional spoke in the competitive wheel that is lacking without it, and if there was any proof of that some of the attacks that have been made on the thing might tend to prove the point.

COMMISSIONER DRUMMOND: So that really your co-operative serves to supply competition which previously did not exist and makes the resultant prices more truly competitive prices?

MR. McFALL: We believe that.

COMMISSIONER DRUMMOND: Well now what I am leading up to here is that you up to the present almost relied completely on the purely voluntary type of action. You have not, while it is true that you now have legislation since 1955 making it possible to form what we sometimes call compulsory co-operative marketing board, while you have that, you have used that type of legislation in Alberta to a very limited extent thus far?

MR. McFALL: Well that legislation has only been available in the final analysis within the last year or year and a half, and up to this time,



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as you say, we have not used it at all. At the present time the vegetable growers have a plan on the egg producers to hold a plebiscite, but because of many and various factors the vote, while the vote, while the percentage of those in favour that did vote was very acceptable, quite high, because of what we considered a faulty enumerating list, we lost the vote.

COMMISSIONER DRUMMOND: Am I correct in concluding that it has been the general feeling of the farmers in this province that they can pretty well hope to achieve their main objectives through voluntary co-operatives rather than to go a step further and form 100 per cent compulsory co-operatives?

(Page 724 follows)



MR. McFALL: Well, I think that might have been our attitude in the past. I think our feeling has changed in that regard to the point that we do not think -- unless we can get a change of heart from some of our producers, we can go all the way with just straight voluntary co-operatives.

MR. DAHL: In the Albert Sugar Beet Growers, we have a contract membership, and deductions, and we have limited acreage specified, and our whole operation is co-operation between the Board of Directors of the association and the company in negotiating the contract as to acreage and price return from the sugar beets, and so we have a closed shop to that degree, and have had since the company came in.

COMMISSIONER DRUMMOND: Mr. Dahl, that reminds me. This is a different type of question. You mentioned a few moments ago, that the contract made in your area was on the increase. Is that not correct?

MR. DAHL: Yes, we have a small acreage increase this year. That depends on the possibility of sales. We are trying to keep our production as close to our sales as possible.

COMMISSIONER DRUMMOND: I think that this perhaps was not in connection with the sugar beet plant.



MR. DAHL: No, that was on the other --

COMMISSIONER DRUMMOND: On the livestock.

MR. DAHL: Livestock and feeder livestock.

They mentioned that its contract was -- I would say in connection with the sales in our area, we have a pretty concentrated area of feeder cattle. The men on the irrigated farms do not raise cattle. They bring them in to them, the same as your Ontario people. Our sales of these cattle are practically all through our feeder organizations direct to the packing firms. We do not try to market them through the market agency because they are ready for sale, and they have the organization.

We have salesmen who go out and sell the cattle. We have about 165 in our central group which is the largest organization. We deal with the Royal Bank where we do all our borrowing for our purchases and sales, and the larger organization send all the feeder livestock direct to the packing firm or across the line.

COMMISSIONER DRUMMOND: On page 5 the second paragraph in this quotation it is stated: "The tragedy of the present situation in agriculture is that the decline in the farmers' position has been so prolonged (6 years) that urban people are becoming accustomed to cheap food in terms of current



wages."

The words "cheap food" are you thinking of cheap food at the farm level only? Do you think that the consumers think in terms of the prices at the farm or retail price which they have to pay; or may I put it this way: Do you think that food is still cheap at the retail end?

MR. McFALL: Well, I think Dr. Hope had in mind in terms of current wages. He felt that food was reasonably cheap in relation to wages, and in that sense, I suppose, that statement would back up to some extent the table on page 4 which shows the various increases that can be purchased for hour of work.

COMMISSIONER MARTIN: Do you think he had in mind "cheaper" or into cost of production?

MR. McFALL: Would you say that again please?

COMMISSIONER MARTIN: You are referring to urban people becoming accustomed to cheap food. It may be in terms of the cost of production to the farm? It is cheap according to the cost of the production, which is higher now than it was years before, on the farm.

MR. McFALL: Well, he could have been tying in that thought. This is a quotation so it is rather difficult to know exactly what the connection was.



COMMISSIONER DRUMMOND: I see it is worded definitely here -- you speak of cheap food in terms of current wages.

MR. McFALL: I think that is what he means.

COMMISSIONER DRUMMOND: The thought in my mind was that perhaps the average consumer may not think that she was getting cheap food when she went to the retail store in the same sense that farmers think it is cheap food? In other words, there was a very great gap there between the retail price.

MR. McFALL: I think you are quite correct there.

COMMISSIONER DRUMMOND: On page 7, I have one or two questions in connection with fluid milk. I think one of my colleagues a little earlier asked a question in respect to the recent tendency to eliminate the fixed retail price, the consumer price, the price of milk at the consumer end.

As you probably know, in some provinces in this country they have completely eliminated it altogether, and in many of the U.S. markets as well. What I wanted to get at here is what viewpoint your organization has in respect to the need for retaining the fixed price, whether it is a minimum price or what at the retail end.

MR. BENTLEY: As a producers' organization, we have never taken a stand on this matter officially



so I would hate to speak for them.

We are concerned with the producers whom we represent, and that is as far as it goes. We do not take issue with the distributors as to what they get for their commodity. We figure that they are protected by the Public Utilities Board, up to last year, and the consumers can make representations to that Board as well as the producers.

Our function has been and will continue to be to look after the interests of the producers and that is what we are primarily concerned with.

We are indirectly interested in the consumer price because if it became too high, it would affect our sales and to that extent we are interested in it, but we have never taken a stand officially as to what that consumer price should be; and why the Utilities Board took the ceiling off it, in effect, off the consumer price, we do not know.

We have never taken an official stand as to whether they should or they should not. I stated personally I figured it should not be done, but that is my own opinion.

COMMISSIONER DRUMMOND: My point is, as you said, your organization naturally is interested primarily in the price that the producers gets.

MR. BENTLEY: That is right.



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COMMISSIONER DRUMMOND: In some other parts of the country officials of the producer organizations have said that in their opinion they feel that -- rather in their interest it is absolutely necessary to retain this fixed price, at the consumer end as well as at the producer end.

MR. BENTLEY: I think they had the same idea that I have, that I would not want to see that consumer price go too high because then it would affect our volume of sales, and volume of sales is very important to us.

COMMISSIONER DRUMMOND: You say you would not like to see it go too high. Would there be any danger of it going too low by having too much competition on the part of the distributors?

MR. BENTLEY: They cannot use it as a loss leader, in other words, because according to this Board order, they have to receive their cost of putting that product in the consumers' home. In other words, they cannot use it as a loss leader.

COMMISSIONER DRUMMOND: I take it the reason for the continued use of this minimum price at the consumer end is to prevent that type of competition among the distributors which might indirectly adversely affect the producer?

MR. BENTLEY: Yes, I think that is true.



COMMISSIONER DRUMMOND: Now this price has always been a minimum price has it?

MR. BENTLEY: Yes, it was always a minimum price, and then it in effect became a maximum price, because no distributor apparently dared to go over that price, because he felt he would probably lose business if he did.

COMMISSIONER DRUMMOND: The only other thing I would care to mention on this is, as you know, our Commission is concerned with spreads. If you fixed a price at both ends, that automatically decreases the margin in between?

MR. BENTLEY: That is correct.

COMMISSIONER DRUMMOND: And what I wondered about is whether a board, such as your Board of Public Utilities has the necessary data to permit them to set scientifically sound margins. Whether you cannot get a more satisfactory margin if you allowed free play of competition?

MR. BENTLEY: Well that is debatable. They have the figures of all these distributors, and they have their records, the Utilities Commission also have their own accountant who examined these figures as presented by the dairies, and they should be able to find out whether that spread is reasonable or not.

I don't know, they seem to feel last summer



there was too much disparity in the figures that these different distributors were giving to the Commission, and they felt that if they set a price on the basis of some of the figures they were given them, the consumer would be paying too high a price, so they said we will just throw it open, and let competition set the price.

COMMISSIONER DRUMMOND: In regard to this milk marketing situation, perhaps it would be helpful to us also to have sort of a general picture of the marketing set-up here in Edmonton, perhaps also in Calgary if you could give it to us. What is the total number of distributors?

MR. BENTLEY: I happen to be the President of the Edmonton Milk Distributors, and we have approximately 400 shippers who ship to the plants of Palm Dairies, Silverwoods, and Jasper Dairy. We just, our producers just belong to those three plants, and we have 100 per cent organization in that regard.

With regard to Northern Alberta Dairy Pool who also supplies milk to the city of Edmonton, they have their own separate organization, and are not in our group. I imagine that they have approximately 100 shippers all shipping from the Northern Alberta Dairy Pool. There would be in the neighbourhood of around 500 shippers shipping fluid milk to the



city of Edmonton.

COMMISSIONER DRUMMOND: In Edmonton approximately, how many producers do you have?

MR. BENTLEY: The four.

COMMISSIONER DRUMMOND: The four, I see. Would they be more or less roughly of the same general size?

MR. BENTLEY: The Palm Dairies and Silverwood Dairies, they have around 181 to 189 shippers each. They are approximately the same size. Jasper Dairy is a very small dairy, I think less than 25 shippers, right in that neighbourhood, and they are not a big factor in the market. The third one, the fourth one is the Northern Alberta Dairy Pool, and I am not aware as to the number of shippers they have, but they would be around 100 or I think a little more.

COMMISSIONER DRUMMOND: What I was wondering is, do all of these four distributors have to cover the entire city of the marketing area?

MR. BENTLEY: I would say three of them do. Jasper being a small distributor, I think are located pretty well in the West of Edmonton, their business is primarily in Jasper place. I think they tend to service that area alone. The other three I think pretty well cover the city.

COMMISSIONER DRUMMOND: This means that



you have reduced the total number of distributors and the total possibility of overlapping in distribution very very considerably, haven't you?

MR. BENTLEY: Well at one time, as you probably are aware, we had a large number of producers distributing in the Edmonton area, and they have largely been bought out. As a matter of fact, that is the way I got into the business myself by buying one of these out, so I never was a distributor. I became just merely a producer, and turned my quota or got my quota by taking his list of the consumers and turning them over to the dairy.

COMMISSIONER DRUMMOND: As you well know, over the years, we have heard an awful lot when it comes to the marketing of milk, we have heard a great deal of the large number of wagons of each distributor going up the same street. I take it from what you have just said that it is not possible for more than three, or certainly not more than four wagons to go up any one street in Edmonton. Would it be also true to say that on the average the net distribution would be supplied by either three or four in total?

MR. BENTLEY: Yes, I think that would be true. There are three large distributors who have the bulk of the business.



COMMISSIONER DRUMMOND: It means that you have really reduced the density of distribution at the present time?

MR. BENTLEY: Yes, that is true.

COMMISSIONER DRUMMOND: How has the reduction in the number of distributors been paralleled by the **size** of the distributing market?

MR. BENTLEY: When I started to ship in 1941, there were 41 shippers to Palm Dairies or was Woodlawn at that time. Now there are 181. That could give you some idea of the growth in the period of probably 17 years.

THE CHAIRMAN: Might I ask what it cost you to acquire your quota?

MR. BENTLEY: I made a deal with the distributor on a kind of gamble proposition. That quota was unofficially recognized as costing \$2.50, and basing that on that basis, I went to this individual who wanted to sell out, and secured his list of customers who held so many pounds of milk, or were taking so many pounds of milk a day. I made him a flat offer and he accepted that. Now my quota then was based on what the dairy sold the consumers at the end of 60 days.

THE CHAIRMAN: Has the cost of acquiring quotas gone up in the last year or two?



MR. BENTLEY: If you just buy a quota, it is the same price, \$2.50, but if you buy what we call a going concern, and that is about the only way you can get it today is buying his herd and buying his quota, the quota is figured in at \$2.50 a pound, but he may be charging you more for the cows than they are actually worth, so it is a little difficult to answer. We figure **it** on the basis of \$2.50 a pound for the quota, and then try and make the best deal you can on the cows. You may pay a little more for the cows.

COMMISSIONER DRUMMOND: Mr. Bentley, the size of this Edmonton market, of course, has increased tremendously in recent years. Has the size of what we call the milk shed around it increased correspondingly?

MR. BENTLEY: Yes, considerably. Yes, the boundaries have been extended. At one time the milk shed was considered a 15-mile radius. I am quite convinced it is probably 30, 35-mile radius now.

COMMISSIONER DRUMMOND: Has that added significantly to the cost of transporting milk to the farms?

MR. BENTLEY: Oh definitely, if you were out at the outer edge of that, you would probably pay 50 to 60 cents a hundred for trucking.



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COMMISSIONER DRUMMOND: Just one amount?

MR. BENTLEY: No, we pay varying amounts.

COMMISSIONER DRUMMOND: Depending on the district?

MR. BENTLEY: Depending on the district.

COMMISSIONER DRUMMOND: You mentioned earlier that you were in the process of developing the use of tank car, or the tank truck for hauling milk?

MR. BENTLEY: That is true.

COMMISSIONER DRUMMOND: What effect, if any, has that had so far on the cost of transportation?

MR. BENTLEY: Well we are hoping that it will cut the cost somewhat, because they only make pick-ups every second day. I think there will be a small saving in cost, but there is a big capital cost to the producer to put in bulk tank, varying from oh probably \$2,500 to \$5,000 depending on the size of the tank, and what he has to do to his milk house, and so on.

COMMISSIONER DRUMMOND: Which means it is going to take some time to write that off before he can hope for savings?

MR. BENTLEY: That is true.

COMMISSIONER DRUMMOND: What effect has that had on the cost at the processing stage?

MR. BENTLEY: That is where they say there



will be significant savings made in the future if it becomes all bulk handling, because they will have on can working, and a lot of dumping things, conveyors and other things in the plant, and now they have to keep two facilities, both can and bulk.

THE CHAIRMAN: We normally finish at 12.30, but I think we won't have very many more questions, so if it is quite convenient we will carry on for a minute or two and then adjourn.

COMMISSIONER DRUMMOND: In connection with the sugar on page 9, the fourth paragraph near the centre of the page, you say: "While the organization is not a co-operative, it is probably the most nearly true co-operative farm organization in Canada." That sentence sounds quite unusual, to say the least. In any case, it has aroused my curiosity. I would like to have a little further explanation of the meaning of that sentence.

MR. DAHL: Well, in the beginning we had the Alberta Co-operative Beet Growers. We operate under the Act of the province. We have three zones, and in those zones they have a president of each unit, and we handle the organization for the three factory districts. We pool the sugar content, there is no division, and we get 63 per cent under the present contract. As soon as it becomes granular the company keeps a record of it and we start to pay 63 per cent



of the cost of shipping and labour and freight costs, and we ship it back to the grower and receive our payment. The first payment is approximately 80 per cent of the return on the sugar, and as it is sold through the succeeding year we get subsequent payments until it is all sold, or if there is a balance we put it into the next year.

COMMISSIONER DRUMMOND: One question in connection with honey. I understand that honey production in Alberta is quite widespread and I believe that in one or two of the other Prairie Provinces honey producers have seen fit to organize marketing boards. Is that correct?

MR. PAWLOWSKI: Yes. I understand there is one in Saskatoon and one in Ontario.

COMMISSIONER DRUMMOND: Manitoba.

MR. PAWLOWSKI: Yes, Manitoba.

COMMISSIONER DRUMMOND: There hasn't been any real drive to establish such a thing here?

MR. PAWLOWSKI: No. Although I am relatively new in this business, since my association with the co-operative there hasn't been anything in that line.

COMMISSIONER DRUMMOND: At the top of page 11 you say: "Honey prices have remained quite stable during the past 9 years regardless of production." That is a very interesting statement. Has the production



varied very markedly during those 9 years?

MR. PAWLOWSKI: Yes, it has. Actually our production in Alberta has been increasing, and you will note that we are a little concerned with the increasing production. Mainly we are concerned about the spread in honey prices in the United States where the producer gets a much lower percentage of the consumer's dollar for the honey, and that is causing a little concern; we have to compete with those prices.

COMMISSIONER DRUMMOND: There has been a greater tendency to import U.S. recently?

MR. PAWLOWSKI: There is a surplus production in the west. The east will import American honey and they will sell it at the same price as Canadian-produced honey which is a higher quality, but the packer or the processor has an opportunity to make an extra dollar and he will definitely do it.

COMMISSIONER DRUMMOND: During these 9 years you have had quite a variation in the output of honey from one year to another.

MR. PAWLOWSKI: Yes. Possibly we should go back a little more. Honey production was fairly high following the war years and prices went up; once the ceiling was lifted, the prices went sky high. Therefore that created consumer resistance, they got out of the habit of using honey, with the result that



prices tumbled down, and ever since that time we have not felt that we should take advantage of raising the prices in the event of a crop being short, we have tried to keep that as stable as possible.

COMMISSIONER DRUMMOND: What I was thinking of was if you had a wide variation in production during that 9-year period and the price had remained stationary in spite of that, why should you be worrying about the future, about the possibility of prices changing in the future, even though your production might go up? Do you follow me? If your production had varied in the past but your price had not, why should there be any difference than there has been?

MR. PAWLOWSKI: Well, I would say that our production -- I believe that Mr. Harris could probably explain it. The importance of beets in agriculture-- they are becoming increasingly important as a dollar maker, therefore our production with the clearing of land and so on should normally go up, and we have a problem of marketing. We have to get the consumers into the habit of using honey, which is quite possible. The per capita consumption is very low. On the other hand, until such a time as we can do that, we have to compete with American honey prices.

THE CHAIRMAN: Mr. McFall, this has been a very interesting and helpful morning for us and



we are very grateful to you and Mrs. Armstrong particularly for coming here.

I am also grateful to my colleagues for asking the questions. It has been properly said that a prophet is not without honour save in his own country and if I had asked nice questions here you would know there was something wrong and if I had asked nasty questions it would confirm what you know already. I have been able to avoid this embarrassing position by my colleagues questioning. We have received a lot of useful information from you. I think you will realize that we hope in our public hearings to get the sense of the problems in the minds of the producers and I think you have helped us very materially there.

I am not quite sure how some of the particular matters which have been raised fall within our Terms of Reference, but we are interested in getting the expression of viewpoint and problems presented to us and we are very grateful to you for doing that.

We will now adjourn to open in Winnipeg on Thursday next.

--- The Edmonton hearings concluded at 12.45 p.m., Tuesday, 15th April, 1958.

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